

# **SOL PLAATJE LOCAL MUNICIPALITY**



CITY OF KIMBERLEY

## **SOL PLAATJE LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

for the year ended

**30 June 2016**

# **SOL PLAATJE LOCAL MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**SOL PLAATJE LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2016**

**EXECUTIVE MAYOR  
SPEAKER**

Alderman KD Molusi  
Councillor OM Matika

**GRADING OF THE LOCAL AUTHORITY:**

Grade 4 NC091

**AUDITORS:**

Auditor-General of South Africa  
Block 1 Montrie Corporate Park  
10 Oliver Road  
Monument Heights  
Kimberley  
8301  
Telephone 053-8311016  
Fax 053-8326277  
Private Bag X5013  
Kimberley  
8300

**BANKERS:**

Standard Bank  
Old Main Road  
Kimberley  
8301  
Telephone 053-8078215  
Fax 053-8078173  
P.O. Box 626  
Kimberley  
8300

**REGISTERED OFFICE:**

Civic Centre  
Sol Plaatje Drive  
Kimberley  
8301  
Telephone 053-8306911  
Fax 053-8331005  
Private Bag X5030  
Kimberley  
8300

**MUNICIPAL MANAGER:**

Mr G Akharwaray B.Proc.LLB, Certificate in Management

**CHIEF FINANCIAL OFFICER:**

Me ZL Mahloko B.Comm Hons

**MEMBERS OF COUNCIL:**

**Councillor**

**Ward**

1 Settley VV	12 Tong KM	23 Doman WP
2 Rosen MS	13 Hale EK	24 Van Der Merwe DJP
3 Lewis CB	14 Askin LA	25 Fourie OC
4 Selao OG	15 Mpampi ZJ	26 Moseki OR
5 Matsio FF	16 Stout BJ	27 Koopman GT
6 Mothibi MK	17 Modise AA	28 Visagie GE
7 Morwe RT	18 Mathe EM	29 Springbok B
8 Ngoma TC	19 Jabetla AK	30 Pienaar D
9 Chinkuli DS	20 Pitt DH	31 Nhlapo MG
10 Tsimakwane E	21 Louw PJF	
11 Thabane MP	22 Steyn L	

**Councillor**

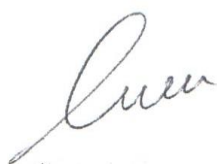
**Proportional**

1 Bauser R (Ald)	11 Lekoma MD	21 Ndlazi SP
2 Beylefeld MJ	12 Leven MM	22 Ngobeza WN
3 Bishop PD	13 Liebenberg R	23 Ntlhangula A
4 Boqo AN	14 Ludick RA	24 Patmore CTP
5 Dawids RM	15 Mazabane J	25 Setlhabi EK
6 Diraditsile MV	16 Mogorosi SR	26 Strauss PAS
7 Frans T	17 Mohapanele KC	27 Vilakazi PM
8 Jacobs M	18 Morris RT	28 Voster PJ
9 Johnson E	19 Morudi GD	29 Wyngaard FA
10 Khunkhube FT	20 Mthukwane KG	

**SOL PLAATJE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 80, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



GH Akharwaray  
Municipal Manager  
31 August 2016

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 June 2016**

	Note	2016 R	2015 R	2016 Budget R
<b>ASSETS</b>				
<b>Current Assets</b>		<b>1 158 230 264</b>	<b>989 353 602</b>	<b>870 616 971</b>
Inventory	2	32 656 079	32 887 325	25 279 673
Trade Receivables from Exchange Transactions	4	328 325 823	262 184 091	274 021 037
Trade Receivables from Non-Exchange Transactions	5	527 599 700	412 780 155	317 620 716
Cash and Cash Equivalents	6	259 275 698	275 457 274	240 000 000
Operating Lease Assets	7	34 999	72 186	95 752
Vat Receivable from Exchange Transactions	8	10 337 965	5 972 571	13 599 793
<b>Non-Current Assets</b>		<b>1 704 112 487</b>	<b>1 588 243 930</b>	<b>1 687 042 064</b>
Property, Plant and Equipment	9	1 491 144 032	1 380 003 075	1 477 512 090
Heritage Assets	9	8 648 295	6 801 944	6 801 943
Intangible Assets	10	6 299 418	4 698 938	1 153 220
Investment Property	11	196 371 707	194 623 613	200 746 949
Trade Receivables from Exchange Transactions	4	1 491 884	1 701 033	700 677
Trade Receivables from Non-Exchange Transactions	5	157 151	415 327	127 185
<b>Total Assets</b>		<b>2 862 342 751</b>	<b>2 577 597 531</b>	<b>2 557 659 035</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>		<b>236 764 276</b>	<b>248 389 232</b>	<b>271 762 311</b>
Consumer Deposits	13	28 820 246	21 848 411	18 352 548
Provisions	14	8 695 501	7 448 000	8 398 125
Payables from Exchange Transactions	15	155 294 536	156 244 721	195 015 007
Unspent Conditional Grants and Receipts	16	11 012 029	31 651 158	-
Vat Payable from Exchange Transactions	17	24 740 958	20 314 935	22 477 853
Bank Overdraft	6	-	-	16 640 332
Current Portion of Long-term Liabilities	18	8 201 006	10 882 007	10 878 446
<b>Non-Current Liabilities</b>		<b>480 530 891</b>	<b>440 256 329</b>	<b>501 697 003</b>
Long-term Liabilities	18	218 675 316	226 818 398	226 841 014
Retirement Benefit Liabilities	19	218 448 583	169 481 000	221 483 250
Non-current Provisions	20	43 406 992	43 956 931	53 372 739
<b>Total Liabilities</b>		<b>717 295 167</b>	<b>688 645 561</b>	<b>773 459 314</b>
<b>Total Assets and Liabilities</b>		<b>2 145 047 585</b>	<b>1 888 951 970</b>	<b>1 784 199 720</b>
<b>NET ASSETS</b>		<b>2 145 047 585</b>	<b>1 888 951 970</b>	<b>1 784 199 720</b>
Accumulated Surplus	21	2 145 047 585	1 888 951 970	1 784 199 720
<b>Total Net Assets</b>		<b>2 145 047 585</b>	<b>1 888 951 970</b>	<b>1 784 199 720</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2016**

Budget 2015 R	Budget 2016 R		Note	Actual 2016 R	Actual 2015 R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>					
397 946 459	443 808 235	Property Rates	22	484 397 277	398 920 589
21 144 300	21 679 300	Fines and Penalties		17 406 849	19 351 832
2 672 000	2 965 000	Licences and Permits		2 850 726	2 955 091
4 900 000	5 800 000	Income for Agency Services		6 181 888	5 037 994
300 252 651	290 850 992	Government Grants and Subsidies Received	26	275 943 005	282 036 220
-	-	Public Contributions and Donations	27	260 514	3 812 828
<b>Revenue from Exchange Transactions</b>					
907 895 397	1 012 665 821	Service Charges	24	1 004 894 715	888 147 879
17 606 040	10 305 500	Rental of Facilities and Equipment	25	9 839 067	16 373 950
16 000 000	19 000 000	Interest Earned - External Investments	23	20 995 888	21 164 955
65 000 000	80 000 000	Interest Earned - Outstanding Debtors	23	97 256 187	73 076 752
72 889 622	27 758 913	Other Income	28	23 659 662	26 997 742
-	-	Gains on Disposal of Property, Plant and Equipment		1 785 600	657 947
<b>1 806 306 469</b>	<b>1 914 833 761</b>	<b>Total Revenue</b>		<b>1 945 471 378</b>	<b>1 738 533 780</b>
<b>EXPENDITURE</b>					
551 623 564	601 580 484	Employee Related Costs	29	600 873 547	463 015 266
19 967 560	21 365 290	Remuneration of Councillors	30	20 948 087	19 841 066
1 800 000	1 800 000	Collection Costs		455 223	1 061 059
52 550 000	53 600 000	Depreciation and Amortisation	31	57 792 050	48 657 012
145 000 000	161 000 000	Impairment Losses	32	159 613 107	143 165 133
138 744 477	136 563 184	Repairs and Maintenance		120 274 041	147 485 771
34 559 195	29 689 565	Finance Costs	33	29 018 431	30 458 023
425 000 000	462 400 000	Bulk Purchases	34	454 009 890	404 460 624
24 749 390	32 394 701	Contracted Services	35	30 876 978	24 182 755
55 370 000	61 871 500	Grants and Subsidies Paid	36	39 321 064	58 193 634
247 742 205	191 395 873	General Expenses	37	175 681 639	162 477 035
	155 000	Loss on Inventory		102 234	-
	-	Foreign Exchange Loss		409 474	-
-	-	Impairment of Property, Plant and Equipment		-	7 653 334
<b>1 697 106 391</b>	<b>1 753 815 597</b>	<b>Total Expenditure</b>		<b>1 689 375 763</b>	<b>1 510 650 713</b>
<b>109 200 078</b>	<b>161 018 164</b>	<b>SURPLUS FOR THE YEAR</b>		<b>256 095 614</b>	<b>227 883 068</b>
Refer to Appendix E(1) for explanation of budget variances					

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2016**

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
<b>2015</b>		R	R		R	R	R
Balance at 30 June 2014	39	88 679 848	22 876 960	9 489 671	1 548 543 700	1 669 590 179	1 669 590 179
Correction of Error					(8 521 277)	(8 521 277)	(8 521 277)
<b>Restated Balance</b>		<b>88 679 848</b>	<b>22 876 960</b>	<b>9 489 671</b>	<b>1 540 022 424</b>	<b>1 661 068 903</b>	<b>1 661 068 903</b>
Surplus for the year					227 883 068	227 883 068	227 883 068
Transfer to Capital Replacement Reserve		75 000 000			(75 000 000)	-	-
Property, Plant and Equipment purchased		(90 369 209)			90 369 209	-	-
Contribution to Insurance Reserve			329 200	705 919	(1 035 119)	-	-
<b>Balance at 30 June 2015</b>		<b>73 310 638</b>	<b>23 206 160</b>	<b>10 195 590</b>	<b>1 782 239 582</b>	<b>1 888 951 970</b>	<b>1 888 951 970</b>
<b>2016</b>							
<b>Restated Balance</b>		<b>73 310 638</b>	<b>23 206 160</b>	<b>10 195 590</b>	<b>1 782 239 582</b>	<b>1 888 951 970</b>	<b>1 888 951 970</b>
Surplus for the year					256 095 614	256 095 614	256 095 614
Transfer to Capital Replacement Reserve		68 000 000			(68 000 000)	-	-
Property, Plant and Equipment purchased		(71 251 874)			71 251 874	-	-
Contribution to Insurance Reserve			342 130	414 845	(756 975)	-	-
<b>Balance at 30 June 2016</b>		<b>70 058 765</b>	<b>23 548 290</b>	<b>10 610 435</b>	<b>2 040 830 094</b>	<b>2 145 047 585</b>	<b>2 145 047 585</b>

Details on the movement of the Funds and Reserves are set out in Note 21.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2016**

	Note	Actual 2016 R	Actual 2015 R	Budget 2016 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from Ratepayers, Government and Other	41	1 471 938 835	1 448 180 718	1 563 435 000
Cash paid to Suppliers and Employees	41	1 391 987 639	1 330 052 778	1 459 527 000
<b>Cash generated from Operations</b>	41	<b>79 951 196</b>	<b>118 127 940</b>	<b>103 908 000</b>
Interest received	23	118 252 075	94 241 707	99 000 000
Interest paid	33	(29 018 431)	(30 458 023)	(29 690 000)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>169 184 841</b>	<b>181 911 624</b>	<b>173 218 000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property, Plant and Equipment	9	(168 395 024)	(192 917 724)	(201 018 000)
Purchase of Intangible Assets	10	(3 766 933)	(4 988 839)	
Purchase of Investment Property	11	(2 380 376)	-	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(174 542 332)</b>	<b>(197 906 563)</b>	<b>(201 018 000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loans repaid		(10 824 084)	(13 746 898)	(10 878 000)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(10 824 084)</b>	<b>(13 746 898)</b>	<b>(10 878 000)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	6	<b>(16 181 575)</b>	<b>(29 741 836)</b>	<b>(38 678 000)</b>
Cash and Cash Equivalents at the beginning of the year		275 457 274	305 199 110	275 457 000
Cash and Cash Equivalents at the end of the year		259 275 698	275 457 274	236 779 000



**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

**1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

**1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

**1. 2. 1 Revenue Recognition**

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. BASIS OF PRESENTATION (continued)**

**1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)**

**1. 2. 1 Revenue Recognition (continued)**

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

**1. 2. 2 Water Inventory**

The estimation of water inventory in the reservoirs are based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 4 in the annual financial statements.

**1. 2. 3 Budget information**

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. all material differences are explained in the notes/appendices to the annual financial statements.

**1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories**

The accounting Policy on "PPE - Impairment of assets and accounting policy" on "Intangible assets - subsequent measurement, amortisation and impairment" and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

**1. 2. 5 Impairment of financial assets and financial liabilities**

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets and financial liabilities recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. BASIS OF PRESENTATION (continued)**

**1. 2. 6 Impairment of trade receivables**

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1. 2. 7 Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

**1. 2. 8 Useful lives of property, plant and equipment**

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

**1. 2. 9 Defined benefit plan liabilities**

As described in the accounting policy the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

**1. 2. 10 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

**1. 3 PRESENTATION CURRENCY**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

**1. 4 GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on a going concern basis.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**1. BASIS OF PRESENTATION (continued)**

**1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 32 Service Concession arrangements: Grantor
- GRAP 108 Statutory receivables
- GRAP 109 Accounting by Principals and Agents

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following GRAP standards became effective during the financial year ended 30 June 2015:

- GRAP 105 Transfers between entities under common control - Issued November 2010
- GRAP 106 Transfers between entities not under common control - Issued November 2010
- GRAP 107 Mergers - Issued November 2010

The impact of above standards becoming effective has been considered by management. The impact (if any) of these new effective standards has been disclosed in Note 39 of the Annual Financial Statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

**2. STATUTORY FUNDS AND RESERVES**

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

**2. 1 Capital replacement reserve (CRR)**

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. STATUTORY FUNDS AND RESERVES (Continued)**

**2. 2 Self insurance reserve**

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

**2. 3 Compensation for occupational injuries and diseases (COID) reserve**

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) surrendered.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

**3. 3 Depreciation**

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

The useful lives of items of property, plant and equipment have been assessed as follows:

<i><b>Item</b></i>	<i><b>Years</b></i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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**PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**3. 5 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**3. 6 Heritage Assets**

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives.

**3. 7 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

**3. 8 Derecognition of property, plant and equipment**

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are not classified as revenue. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**3. 9 Impairment of assets**

**3. 9. 1 Impairment of Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the surplus or deficit.

**3. 9. 2 Impairment of Non-Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the surplus or deficit.



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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 9. 2 Impairment of Non-Cash generating assets (continued)**

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**4. INTANGIBLE ASSETS**

**4. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21/ 26.

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**4. INTANGIBLE ASSETS (continued)**

**4. 1 Initial Recognition (continued)**

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets surrendered.

**4. 2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

**4. 3 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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## **5. INVESTMENT PROPERTY**

### **5. 1 Initial Recognition**

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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**5. INVESTMENT PROPERTY (continued)**

**5. 2 Subsequent Measurement - Cost Model**

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5. 3 Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**6. FINANCIAL INSTRUMENTS**

**6. 1 Financial Assets - Classification**

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

derivatives;

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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**6. FINANCIAL INSTRUMENTS (continued)**

The municipality has the following types of financial assets of the face of the State of Financial Position:

<b>Class</b>	<b>Category</b>
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

**6. 2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured

<b>Class</b>	<b>Category</b>
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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**6. FINANCIAL INSTRUMENTS (continued)**

**6. 3 Risk management of financial assets and liabilities**

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

***Credit risk***

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

***Liquidity risk***

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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## **7. LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### **7. 1 Finance leases - Municipality as lessee**

- Effective interest rate method
- Derecognition
- Finance cost expensed when incurred

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **7. 2 Operating leases - Municipality as lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### **7. 3 Operating leases - Municipality as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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## **8. INVENTORY**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

### **8. 1 Subsequent measurement**

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## **9. NON-CURRENT ASSETS HELD-FOR-SALE**

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position.

Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.



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## **10 REVENUE RECOGNITION**

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

### **10 1. Revenue from Exchange Transactions**

#### **10 1. 1. Service Charges**

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **10.1 2 Prepaid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### **10.1 3 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment.

#### **10.1. 4 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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**10. REVENUE RECOGNITION (continued)**

**10.1. 5 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**10.1. 6 Sale of goods (including houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**10.1. 7 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**10.2. Revenue from non -exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**10.2. 1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**10.2. 2 Fines**

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on an accrual basis based on IGRAP 1.

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

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**10. REVENUE RECOGNITION (continued)**

**10.2.2 Fines (continued)**

*Initial recognition*

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

*Measurement*

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

*Impairment*

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

**10.2.3 Debt forgiveness**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

**10.2.4 Other donations and contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

**10.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**10.2.6 Conditional grants and receipts**

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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## **11. PROVISIONS AND CONTINGENCIES (continued)**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **11.1. Environmental rehabilitation provision**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

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## **12. EMPLOYEE BENEFITS**

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

### **12. 1 Short-term employee benefits**

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

### **12. 2 Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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**12. EMPLOYEE BENEFITS (continued)**

*Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality decision on protected rights. Post-retirement medical contributions paid by the Municipality and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post-retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date. Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on the straight line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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### **13. BORROWING COST**

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **14. IMPAIRMENT**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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**14. IMPAIRMENT(continued)**

**14.1 Impairment of Cash generated Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**14.2 Impairment of Non-Cash generated assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.



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## **15. HERITAGE ASSETS**

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

### **15. 1. Initial Recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

### **15. 2. Subsequent measurement**

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalise it increase the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

## **16. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## **17. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

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**18. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**19. IRREGULAR EXPENDITURE**

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) MFMA number 56 of 2003
- (b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

**20. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure are expenditure described as per the Municipal Finance Management Act.

**21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The cost of internal support are transferred to the various services and departments to who resources are made available.

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**22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**23. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**24. TRANSLATION TO FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**25. COMPARATIVE FIGURES**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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**27. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R	
<b>1. GENERAL INFORMATION</b>			
Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.			
<b>2. INVENTORY</b>			
Inventory Stores - at cost	23 721 734	23 973 031	
Inventory Land	6 637 302	6 914 802	
Water - at cost	2 297 043	1 999 491	
<b>Total Inventory</b>	<b>32 656 079</b>	<b>32 887 325</b>	
The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.			
The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:			
	102 234	130 845	
The cost of Inventories recognised as an expense during the period was:			
	42 530 925	47 046 149	
<b>3. ASSETS HELD-FOR-SALE</b>			
Included in the property, plant and equipment figure on the balance sheet, are the following amounts relating to non current assets that is intended for sale within the next 12 months:			
Other Assets Held-for-Sale	141 858	141 858	
<b>Net Assets classified as Held-for-Sale</b>	<b>141 858</b>	<b>141 858</b>	
The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.			
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balances</b>
<b>As at 30 June 2016</b>			
Service Debtors:	1 077 775 916	757 738 264	320 037 652
Electricity	146 226 816	102 805 835	43 420 980
Refuse	66 537 548	46 779 711	19 757 837
Sewerage	83 151 479	58 460 257	24 691 222
Water	299 942 067	210 876 471	89 065 597
Miscellaneous	481 918 006	338 815 989	143 102 017
Market	1 016 680	714 784	301 896
Housing Debtors	31 919 155	22 440 996	9 478 159
<b>Total Consumer Debtors</b>	<b>1 110 711 751</b>	<b>780 894 044</b>	<b>329 817 707</b>
Non current portion	(1 491 884)		(1 491 884)
<b>Total Consumer Debtors</b>	<b>1 109 219 867</b>	<b>780 894 044</b>	<b>328 325 823</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**

	Gross Balances	Provision for Impairment	Net Balances
<b>As at 30 June 2015</b>			
Service Debtors:	875 843 111	620 293 069	255 550 042
Electricity	119 183 264	84 408 442	34 774 822
Refuse	56 107 457	39 736 645	16 370 812
Sewerage	69 849 990	49 469 436	20 380 554
Water	254 855 747	180 494 945	74 360 803
Miscellaneous	375 846 653	266 183 602	109 663 051
Market	1 024 855	725 827	299 028
Housing Debtors	27 541 856	19 505 802	8 036 054
<b>Total Consumer Debtors</b>	<b>904 409 822</b>	<b>640 524 698</b>	<b>263 885 124</b>
Non current portion	(1 701 033)		(1 701 033)
<b>Total Consumer Debtors</b>	<b>902 708 789</b>	<b>640 524 698</b>	<b>262 184 091</b>

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair value.

	2016 R	2015 R
<b>4.1 Ageing of Consumer Debtors</b>		
<b>Electricity: Ageing</b>		
<u>Current:</u>		
0 - 30 days	44 482 933	43 823 966
<u>Past Due:</u>		
31 - 60 Days	10 772 722	6 735 450
61 - 90 Days	6 729 244	4 222 090
+ 90 Days	84 241 917	64 401 758
<b>Total</b>	<b>146 226 816</b>	<b>119 183 264</b>
<b>Refuse: Ageing</b>		
<u>Current:</u>		
0 - 30 days	3 076 271	3 100 024
<u>Past Due:</u>		
31 - 60 Days	1 944 857	1 839 427
61 - 90 Days	1 753 113	1 716 942
+ 90 Days	59 763 308	49 451 064
<b>Total</b>	<b>66 537 548</b>	<b>56 107 457</b>
<b>Sewerage: Ageing</b>		
<u>Current:</u>		
0 - 30 days	3 870 807	3 844 598
<u>Past Due:</u>		
31 - 60 Days	2 601 184	2 401 357
61 - 90 Days	2 341 250	2 266 944
+ 90 Days	74 338 238	61 337 090
<b>Total</b>	<b>83 151 479</b>	<b>69 849 990</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b><i>Water: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	23 658 950	41 677 430
<i>Past Due:</i>		
31 - 60 Days	10 323 460	13 343 033
61 - 90 Days	9 452 509	9 612 442
+ 90 Days	256 507 149	190 222 842
<b>Total</b>	<b>299 942 067</b>	<b>254 855 747</b>
<b><i>Miscellaneous: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	19 230 790	18 293 983
<i>Past Due:</i>		
31 - 60 Days	16 499 835	11 240 620
61 - 90 Days	14 390 590	9 759 189
+ 90 Days	432 813 471	337 577 716
<b>Total</b>	<b>482 934 686</b>	<b>376 871 508</b>
<b><i>Housing Rentals: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	508 105	525 910
<i>Past Due:</i>		
31 - 60 Days	466 946	459 371
61 - 90 Days	462 173	452 014
+ 90 Days	30 481 931	26 104 561
<b>Total</b>	<b>31 919 155</b>	<b>27 541 856</b>

**4.2 Summary of Consumer Debtors by Customer Classification (Exchange and Non-Exchange Transactions)**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
<b>As at 30 June 2016</b>				
<i>Current:</i>				
0 - 30 days	71 899 529	33 520 069	11 375 774	116 795 372
<i>Past Due:</i>				
31 - 60 Days	29 842 001	10 603 408	31 772 008	72 217 417
61 - 90 Days	28 701 610	8 265 053	5 145 808	42 112 471
+ 90 Days	772 656 236	159 661 371	419 922 437	1 352 240 044
Sub-total	903 099 376	212 049 901	468 216 027	1 583 365 304
Less: Provision for Impairment	450 020 048	105 665 787	233 314 965	789 000 801
<b>Total Debtors by Customer Classification</b>	<b>453 079 328</b>	<b>106 384 114</b>	<b>234 901 062</b>	<b>794 364 503</b>
<b>As at 30 June 2015</b>				
<i>Current:</i>				
0 - 30 days	71 237 583	40 153 210	15 925 234	127 316 027
<i>Past Due:</i>				
31 - 60 Days	24 418 449	14 165 956	4 133 994	42 718 399
61 - 90 Days	21 238 622	7 841 840	4 637 029	33 717 491
+ 90 Days	575 941 837	145 232 690	312 062 342	1 033 236 869
Sub-total	692 836 491	207 393 696	336 758 599	1 236 988 785
Less: Provision for Impairment	363 271 836	108 741 802	176 571 119	648 584 757
<b>Total Debtors by Customer Classification</b>	<b>329 564 655</b>	<b>98 651 894</b>	<b>160 187 480</b>	<b>588 404 029</b>

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>4.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	648 584 757	550 821 928
Impairment Loss recognised	161 570 809	149 009 888
Amounts written off as uncollectable	(21 154 765)	(56 467 179)
Amounts reversed	-	5 220 119
<b>Balance at end of year</b>	<b>789 000 801</b>	<b>648 584 757</b>

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

**4.4 Ageing of impaired Consumer Debtors**

0 - 30 Days	3 838 699	3 155 537
31 - 60 Days	2 928 096	2 406 992
61 - 90 Days	2 559 173	2 103 724
+ 90 Days	779 674 834	640 918 503
<b>Total</b>	<b>789 000 801</b>	<b>648 584 757</b>

**5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Assessment Rates	472 653 553	332 578 964
Government Subsidy Claims	47 423 409	63 038 099
Miscellaneous debtors	2 843 073	11 173 898
Traffic Fines	12 943 572	14 464 580
	535 863 607	421 255 541
Less: Provision for Impairment	(8 106 756)	(8 060 058)
<b>Total Other Debtors</b>	<b>527 756 850</b>	<b>413 195 482</b>
Non current portion	(157 151)	(415 327)
<b>Total Other Debtors</b>	<b>527 599 700</b>	<b>412 780 155</b>

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

**5.1 Ageing of Consumer Debtors**

**Rates: Ageing**

Current:

0 - 30 days	21 967 517	18 358 067
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Past Due:

31 - 60 Days	29 608 414	6 643 830
61 - 90 Days	6 983 591	5 680 350
+ 90 Days	414 094 030	301 896 717
<b>Total</b>	<b>472 653 553</b>	<b>332 578 964</b>

**6. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents	224 932 658	257 897 305
Bank	34 343 040	17 559 969
<b>Total Cash and Cash Equivalents</b>	<b>259 275 698</b>	<b>275 457 274</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>6. CASH AND CASH EQUIVALENTS (Continued)</b>		
<b>6.1 Current Investment Deposits</b>		
Call Deposits	90 950 000	79 420 316
Notice Deposits	133 965 838	178 460 169
<b>Total Current Investment Deposits</b>	<b>224 915 838</b>	<b>257 880 485</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.3% to 7.75% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 7.5% to 8.65% per annum.

A fixed deposit of R2,992,635 (2015: R2,460,169) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2015: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

**6.2 Bank Accounts**

**Cash book balance**

Cash book balance at beginning of year	17 559 969	(12 595 368)
Cash book balance at end of year	<u>34 343 040</u>	<u>17 559 969</u>

**The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):**

**Current Account (Primary Bank Account)**

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	51 073 577	24 430 080
Bank statement balance at end of year / (overdrawn)	78 334 651	51 073 577

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	(200)
Bank statement balance at end of year / (overdrawn)	-	-

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>6. CASH AND CASH EQUIVALENTS (Continued)</b>		
<b>6.3 Cash and Cash equivalents</b>		
Cash Floats and Advances	16 820	16 820
Cash on hand in Cash Floats, Advances and Equivalents	<u>16 820</u>	<u>16 820</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

**7. OPERATING LEASE ASSETS / RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance as at 30 June	72 186	92 070
Operating Lease expenses recorded	619 803	475 810
Operating Lease payments effected	<u>(656 990)</u>	<u>(495 694)</u>
<b>Total Operating Lease Assets</b>	<u><b>34 999</b></u>	<u><b>72 186</b></u>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	418 498	166 349
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**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	588 506	481 169
2 to 5 years	1 113 889	779 750
More than 5 years	<u>56 000</u>	<u>19 250</u>
<b>Total Operating Lease Arrangements</b>	<u><b>1 758 396</b></u>	<u><b>1 280 169</b></u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease for the year has been an increase:

	37 186	19 884
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The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS**

Vat Receivable from Exchange Transactions	<u><b>10 337 965</b></u>	<u><b>5 972 571</b></u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

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**9. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2016**

**Reconciliation of Carrying Value**

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>1 002 447 917</b>	<b>308 146 116</b>	<b>6 801 944</b>	<b>69 409 041</b>	<b>1 386 805 019</b>
Cost	1 409 127 594	357 632 877	6 801 944	133 775 273	1 907 337 688
- Completed Assets	1 106 255 128	325 899 302	6 801 944	133 775 273	1 572 731 648
- Under Construction	302 872 465	31 733 575	-	-	334 606 041
Accumulated Depreciation:	(406 679 677)	(49 486 761)	-	(64 366 232)	(520 532 669)
- Cost	(406 679 677)	(49 486 761)	-	(64 366 232)	(520 532 669)
Acquisitions	29 663 121	5 055 178	-	10 033 128	44 751 427
Capital under Construction - Additions	119 901 296	1 895 950	1 846 350	-	123 643 596
- Cost	119 901 296	1 895 950	1 846 350	-	123 643 596
Depreciation:	(31 450 145)	(7 391 659)	-	(16 565 912)	(55 407 716)
- Based on Cost	(31 450 145)	(7 391 659)	-	(16 565 912)	(55 407 716)
Adjustment of Carrying values:	(68 642)	-	-	-	(68 642)
- Cost	(68 642)	-	-	-	(68 642)
Adjustment of Depreciation	68 642	-	-	-	68 642
Capital under Construction - Completed	(51 604 039)	(8 180 438)	(1 846 350)	-	(61 630 827)
Other Movements	51 604 039	8 180 438	1 846 350	-	61 630 827
- Cost	51 604 039	8 180 438	1 846 350	-	61 630 827
<b>Carrying values at 30 June 2016</b>	<b>1 120 562 189</b>	<b>307 705 586</b>	<b>8 648 295</b>	<b>62 876 258</b>	<b>1 499 792 327</b>
Cost	1 558 623 368	364 584 006	8 648 295	143 808 401	2 075 664 070
- Completed Assets	1 187 453 646	339 134 919	8 648 295	143 808 401	1 679 045 260
- Under Construction	371 169 722	25 449 087	-	-	396 618 810
Accumulated Depreciation:	(438 061 180)	(56 878 420)	-	(80 932 143)	(575 871 743)
- Cost	(438 061 180)	(56 878 420)	-	(80 932 143)	(575 871 743)

**30 June 2015**

**Reconciliation of Carrying Value**

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>876 826 690</b>	<b>298 532 841</b>	<b>6 801 944</b>	<b>59 788 587</b>	<b>1 241 950 062</b>
Cost	1 253 234 595	340 556 676	6 801 944	120 408 221	1 721 001 437
- Completed Assets	799 793 562	326 236 008	6 801 944	120 408 221	1 253 239 736
- Under Construction	453 441 032	14 320 668	-	-	467 761 701
Accumulated Depreciation:	(376 407 905)	(42 023 836)	-	(60 619 634)	(479 051 375)
- Cost	(376 407 905)	(42 023 836)	-	(60 619 634)	(479 051 375)
Correction of error (Note 39)					
- Accumulated Depreciation	2 636 873	-	-	10 586 660	13 223 533
<b>Restated carrying values at 01 July 2014</b>	<b>879 463 563</b>	<b>298 532 841</b>	<b>6 801 944</b>	<b>70 375 247</b>	<b>1 255 173 595</b>
Acquisitions	65 313 335	-	-	13 367 052	78 680 387
Capital under Construction - Additions	96 824 430	17 412 907	-	-	114 237 337
- Cost	96 824 430	17 412 907	-	-	114 237 337
Depreciation:	(25 255 311)	(7 462 925)	-	(14 333 258)	(47 051 493)
- Based on Cost	(25 255 311)	(7 462 925)	-	(14 333 258)	(47 051 493)
Adjustment of Carrying values:	(6 244 766)	(336 706)	-	-	(6 581 472)
- Cost	(6 244 766)	(336 706)	-	-	(6 581 472)
Impairment Losses	(7 653 334)	-	-	-	(7 653 334)
Capital under Construction - Completed	(247 392 997)	-	-	-	(247 392 997)
Other Movements	247 392 997	-	-	-	247 392 997
- Cost	247 392 997	-	-	-	247 392 997
<b>Carrying values at 30 June 2015</b>	<b>1 002 447 917</b>	<b>308 146 116</b>	<b>6 801 944</b>	<b>69 409 041</b>	<b>1 386 805 019</b>
Cost	1 409 127 594	357 632 877	6 801 944	133 775 273	1 907 337 688
- Completed Assets	1 106 255 128	325 899 302	6 801 944	133 775 273	1 572 731 648
- Under Construction	302 872 465	31 733 575	-	-	334 606 041
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	(406 679 677)	(49 486 761)	-	(64 366 232)	(520 532 669)
- Cost	(406 679 677)	(49 486 761)	-	(64 366 232)	(520 532 669)

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>9. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:</b>		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<u>79 217</u>	<u>326 547</u>
<b>9.2 Heritage Assets</b>		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Due to the recognition criteria as set out in GRAP 103, these assets do not qualify to be recognised as the cost or fair value thereof cannot be measured reliably. Furthermore, the municipality cannot with certainty say that future economic benefits or service potential attributable to the heritage asset will flow to the municipality. These categories are: <i>Municipal Jewellery, Antique Paintings, Areas of land of historic or specific significance and Monuments.</i>		
Heritage assets disclosed in the financial statements consist of the following:		
Land	6 765 789	6 765 789
Antiques	36 156	36 156
Monuments	1 846 350	-
<b>Total</b>	<u>8 648 295</u>	<u>6 801 944</u>
<b>10. INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<u>6 299 418</u>	<u>4 698 938</u>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>4 698 938</b>	<b>4 698 938</b>
Cost	17 203 992	17 203 992
Accumulated Amortisation	(12 505 054)	(12 505 054)
Acquisitions during the Year:	3 766 933	3 766 933
Purchased	3 766 933	3 766 933
Amortisation during the Year:	(2 166 453)	(2 166 453)
Purchased	(2 166 453)	(2 166 453)
<b>Carrying values at 30 June 2016</b>	<b>6 299 418</b>	<b>6 299 418</b>
Cost	20 970 925	20 970 925
Accumulated Amortisation	(14 671 507)	(14 671 507)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>1 098 305</b>	<b>1 098 305</b>
Cost	12 215 153	12 215 153
Accumulated Amortisation	(11 116 848)	(11 116 848)
Acquisitions during the Year:	4 988 839	4 988 839
Purchased	4 988 839	4 988 839
Amortisation during the Year:	(1 388 206)	(1 388 206)
Purchased	(1 388 206)	(1 388 206)
<b>Carrying values at 30 June 2015</b>	<b>4 698 938</b>	<b>4 698 938</b>
Cost	17 203 992	17 203 992
Accumulated Amortisation	(12 505 054)	(12 505 054)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>11. INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<b>196 371 707</b>	<b>194 623 613</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>194 623 613</b>	<b>201 755 728</b>
Cost	196 050 193	202 964 995
Accumulated Depreciation	(1 426 580)	(1 209 267)
Acquisitions during the Year	2 380 376	-
Depreciation during the Year	(217 882)	(217 312)
Disposals during the Year:	(414 400)	-
At Cost	(414 400)	-
Transfers during the Year:	-	(6 914 802)
At Cost	-	(6 914 802)
<b>Carrying values at 30 June</b>	<b>196 371 707</b>	<b>194 623 613</b>
Cost	198 016 169	196 050 193
Accumulated Depreciation	(1 644 461)	(1 426 580)
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>198 016 169</b>	<b>196 050 193</b>
Revenue and Expenditure disclosed in the Statement of Financial Performance include:      Rental		
Revenue earned from Investment Property	418 498	166 349

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

**12. LONG-TERM RECEIVABLES**

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

**13. CONSUMER DEPOSITS**

Electricity and Water	28 820 246	21 848 411
<b>Total Consumer Deposits</b>	<b>28 820 246</b>	<b>21 848 411</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>3 457 988</b>	<b>3 507 853</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>14. PROVISIONS</b>		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	6 298 572	4 928 000
Current Portion of Non-Current Provisions (See Note 20 below):	<u>2 396 929</u>	<u>2 520 000</u>
<b>Total Provisions</b>	<u><b>8 695 501</b></u>	<u><b>7 448 000</b></u>

**15. CREDITORS**

Trade Creditors	96 691 150	102 979 602
Payments received in Advance	16 249 740	12 684 720
Staff Bonuses	9 911 283	9 969 519
Other Creditors	-	53 127
Accrued Leave	32 442 363	30 557 754
<b>Total Creditors</b>	<u><b>155 294 536</b></u>	<u><b>156 244 721</b></u>

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2015.

**Accrued Leave** accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

	<b>11 012 029</b>	<b>31 651 158</b>
Grants	<u>11 012 029</u>	<u>31 651 158</u>
<b>Total Conditional Grants and Receipts</b>	<u><b>11 012 029</b></u>	<u><b>31 651 158</b></u>

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "F" for more detail on Conditional Grants.

**17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS**

Vat Payable from Exchange Transactions	<u><b>24 740 958</b></u>	<u><b>20 314 935</b></u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

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	2016 R	2015 R
<b>18. LONG TERM LIABILITIES</b>		
Annuity Loans	226 876 321	237 700 405
Less: Current Portion transferred to Current Liabilities:-	8 201 006	10 882 007
Annuity Loans	8 201 006	10 882 007
<b>Total Long-term Liabilities</b>	<b>218 675 316</b>	<b>226 818 398</b>

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**19. RETIREMENT BENEFIT LIABILITIES**

**19.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	174 409 000	202 404 000
Contributions to Provision	(4 928 000)	(4 418 000)
Expenditure incurred	23 917 000	27 540 000
Actuarial loss/(gain)	31 349 155	(51 117 000)
Wholly unfunded balance at year end	224 747 155	174 409 000
Transfer to Current Provisions	(6 298 572)	(4 928 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>218 448 583</b>	<b>169 481 000</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1 263	1 257
In-service (employee) non-members	428	-
Continuation Members (retirees and widowers)	211	174
<b>Total Members</b>	<b>1 902</b>	<b>1 431</b>

The liability in respect of past service has been estimated as follows:

In-service Members	142 123 728	123 756 000
In-service Non-members	8 404 137	-
Continuation Members	74 219 290	50 653 000
<b>Total Liability</b>	<b>224 747 155</b>	<b>174 409 000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed
- Fed Health

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>19. RETIREMENT BENEFIT LIABILITIES (Continued)</b>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.03%	Yield Curve
Health Care Cost Inflation Rate	8.14%	ESRI + 1%
Net Effective Discount Rate	0.83%	Yield Curve based Difference between Nominal and Yield Curves
Expected Rate of Salary Increase (ERSI)	50% of 7.64%	
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	174 409 000	202 404 000
Current service costs	7 813 000	9 274 000
Interest cost	16 104 000	18 266 000
Benefits paid	(4 928 000)	(4 418 000)
Actuarial loss/(gain)	31 349 155	(51 117 000)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>224 747 155</b>	<b>174 409 000</b>
<b>Total Recognised Benefit Liability</b>	<b>224 747 155</b>	<b>174 409 000</b>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	224 747 155	174 409 000
<b>Total Benefit Liability</b>	<b>224 747 155</b>	<b>174 409 000</b>
The amounts recognised in the Statement of Financial Performance are as follows:		
<b>Current service cost</b>	7 813 000	9 274 000
Interest cost	16 104 000	18 266 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>23 917 000</b>	<b>27 540 000</b>
The history of experienced adjustments is as follows:		
	2016 R	2015 R
Present Value of Defined Benefit Obligation	224 747 155	174 409 000
<b>Deficit</b>	<b>224 747 155</b>	<b>174 409 000</b>
	2014 R	2013 R
	202 404 000	190 117 066
	<b>202 404 000</b>	<b>190 117 066</b>
	2016 R	2015 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	24 694 000	24 694 000
Effect on the defined benefit obligation	232 794 000	180 051 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	22 824 000	22 784 000
Effect on the defined benefit obligation	213 189 000	166 502 000

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>20. NON-CURRENT PROVISIONS</b>		
Provision for Ex-Gratia Arrangements	-	907 000
Provision for Long Service Awards	15 782 694	15 713 000
Provision for Rehabilitation of Land-fill Sites	27 624 298	27 336 931
<b>Total Non-current Provisions</b>	<b>43 406 992</b>	<b>43 956 931</b>

The movement in Non-current Provisions are reconciled as follows:

	Ex-Gratia Arrangements R	Long Service Awards R	Land-fill Sites R
<b>30 June 2016</b>			
Balance at beginning of year	907 000	18 233 000	27 336 931
Current service cost	-	1 968 000	-
Interest cost	-	1 510 000	-
Expenditure incurred / Contribution	(907 000)	(2 520 000)	287 367
Actuarial Gain	-	(1 011 377)	-
	-	18 179 623	27 624 298
Transfer to current provisions	-	(2 396 929)	-
<b>Balance at end of year</b>	<b>-</b>	<b>15 782 694</b>	<b>27 624 298</b>
<b>30 June 2015</b>			
Balance at beginning of year	835 000	16 904 000	31 638 435
Current service cost	-	1 904 000	-
Interest cost	66 000	1 358 000	-
Expenditure incurred / Contribution	-	(1 778 000)	1 943 262
Actuarial Loss / (Gain)	6 000	(155 000)	(6 244 766)
	907 000	18 233 000	27 336 931
Transfer to current provisions	-	(2 520 000)	-
<b>Balance at end of year</b>	<b>907 000</b>	<b>15 713 000</b>	<b>27 336 931</b>

**20.1 Ex-Gratia Arrangements**

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by N Fourie and J van der Spuy, Fellow members of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end there were no remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be: - 66 000

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	N/A	7.89%
Cost Inflation Rate	N/A	6.59%
Net Effective Discount Rate	N/A	0.24%
Expected Rate of Salary Increase	N/A	7.63%
Expected Retirement Age - Females	N/A	63
Expected Retirement Age - Males	N/A	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	907 000	835 000
Interest cost	-	66 000
Expenditure incurred / Contribution	(907 000)	-
Actuarial loss	-	6 000
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>-</b>	<b>907 000</b>
<b>Total Recognised Benefit Liability</b>	<b>-</b>	<b>907 000</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>20. NON-CURRENT PROVISIONS (Continued)</b>		
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	-	66 000
Actuarial loss	-	6 000
<b>Total Post-retirement Benefit included in Employee Related Costs</b>	<b>-</b>	<b>72 000</b>

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	-	907 000	835 000	624 207	551 734
<b>Deficit</b>	<b>-</b>	<b>907 000</b>	<b>835 000</b>	<b>624 207</b>	<b>551 734</b>

2016 R	2015 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the interest cost	-	49 000
Effect on the defined benefit obligation	-	913 000

**Decrease:**

Effect on the aggregate of the interest cost	-	43 000
Effect on the defined benefit obligation	-	869 000

**20.2 Long Service Awards**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,691 employees were eligible for Long-service Awards.

2016 R	2015 R
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.33%	8.24%
Cost Inflation Rate	6.00%	6.59%
Net Effective Discount Rate	1.24%	0.60%
Expected Rate of Salary Increase	7.00%	7.59%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	18 233 000	16 904 000
Current service costs	1 968 000	1 904 000
Interest cost	1 510 000	1 358 000
Benefits paid	(2 520 000)	(1 778 000)
Actuarial loss / (gains)	(1 011 377)	(155 000)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>18 179 623</b>	<b>18 233 000</b>
<b>Total Recognised Benefit Liability</b>	<b>18 179 623</b>	<b>18 233 000</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>20. NON-CURRENT PROVISIONS (Continued)</b>		
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	18 179 623	18 233 000
<b>Total Benefit Liability</b>	<b>18 179 623</b>	<b>18 233 000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1 968 000	1 904 000
Interest cost	1 510 000	1 358 000
Benefits paid	(2 520 000)	(1 778 000)
Actuarial loss / (gains)	(1 011 377)	(155 000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>(53 377)</b>	<b>1 329 000</b>

**The history of experienced adjustments is as follows:**

	2016 R	2015 R	2014 R	2013 R	2012 R
Obligation	18 179 623	18 233 000	16 904 000	14 323 824	13 372 118
<b>Deficit</b>	<b>18 179 623</b>	<b>18 233 000</b>	<b>16 904 000</b>	<b>14 323 824</b>	<b>13 372 118</b>

	2016 R	2015 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	3 748 000	3 707 000
Effect on the defined benefit obligation	19 015 000	19 317 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	3 375 400	3 270 000
Effect on the defined benefit obligation	17 400 000	17 235 000

**20.3 Rehabilitation of Land-fill Sites**

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

27 624 298	27 336 931
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An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Inflation Rate	5.00%	6.30%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72 000	72 000
Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.		

**21. ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	70 058 765	73 310 638
Self-insurance Reserve	23 548 290	23 206 160
C.O.I.D. Reserve	10 610 435	10 195 590
Accumulated Surplus due to the results of Operations	2 040 830 094	1 782 239 582
<b>Total Accumulated Surplus</b>	<b>2 145 047 585</b>	<b>1 888 951 970</b>

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.**) **Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

			2016 R	2015 R
<b>22. PROPERTY RATES</b>				
	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2015</b>	<b>July 2014</b>		
	<b>R000's</b>	<b>R000's</b>		
Residential	16 124 603	11 134 402	134 083 243	120 200 388
Business	4 385 479	2 747 328	113 367 185	95 555 378
Residential Business	312 065	170 657	5 380 547	3 667 920
Rural	2 400 710	1 050 731	5 392 190	1 971 946
Industrial	486 833	231 140	14 871 730	10 970 132
PSI	63 255	32 914	-	-
State	3 109 744	1 904 686	196 476 528	165 464 849
Mining Areas	75 792	5 686	14 825 854	1 089 976
Exempt	2 255 118	1 114 703		
<b>Total Assessment Rates</b>	<b>29 213 599</b>	<b>18 392 246</b>	<b>484 397 277</b>	<b>398 920 589</b>

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2011. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 50% (2015: 50%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

<b>23. INTEREST EARNED</b>		<b>2016 R</b>	<b>2015 R</b>
<b>External Investments:</b>			
Interest		20 995 888	21 164 955
<b>Outstanding Debtors:</b>			
Outstanding Debtors		97 256 187	73 076 752
<b>Total Interest Earned</b>		<b>118 252 075</b>	<b>94 241 707</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:			
<b>Financial instruments at amortised cost</b>		<b>118 252 075</b>	<b>94 241 707</b>

<b>24. SERVICE CHARGES</b>			
Sale of Electricity		645 803 948	561 177 966
Sale of Water		233 270 363	211 649 583
Refuse Removal		53 975 455	47 364 050
Sewerage and Sanitation Charges		71 844 949	67 956 279
<b>Total Service Charges</b>		<b>1 004 894 715</b>	<b>888 147 879</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs, which are billed to the consumers on a monthly basis according to approved tariffs.

<b>25. RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental Revenue from Facilities and Equipment		9 839 067	16 373 950
<b>Total Rental of Facilities and Equipment</b>		<b>9 839 067</b>	<b>16 373 950</b>

Rental revenue earned on Facilities and Equipment is in respect of residential buildings rented out.

<b>26. GOVERNMENT GRANTS AND SUBSIDIES</b>			
National Equitable Share		143 335 000	145 440 000
Provincial Health Subsidies		-	2 809 000
Other Subsidies		7 980 501	4 563 000
<b>Operational Grants</b>		<b>151 315 501</b>	<b>152 812 000</b>
<b>Conditional Grants</b>		<b>124 627 503</b>	<b>129 224 220</b>
National: Financial Management Grant (FMG)		1 600 000	1 600 000
National: Municipal Infrastructure Grant (MIG)		48 329 000	47 211 000
National: Grants		50 574 956	19 063 732
National: Expanded Public Works Programme (EPWP)		4 984 000	5 330 000
Provincial: Grants		12 121 635	47 262 775
Local Government: Local Municipalities Grant		7 017 911	8 756 713
<b>Total Government Grants and Subsidies</b>		<b>275 943 005</b>	<b>282 036 220</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
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	2016 R	2015 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>Operational Grants:</b>		
<b>26.1 National: Equitable Share</b>	143 335 000	145 440 000
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
<b>26.2 Provincial: Health Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	2 809 000
- Primary Health	-	2 809 000
Conditions met - transferred to Revenue	-	(2 809 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix F).		
<b>26.3 Other Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts:	7 980 501	4 563 000
- Library	6 609 000	4 563 000
- Miscellaneous	1 371 501	-
Conditions met - transferred to Revenue	(7 980 501)	(4 563 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix F). The conditions of the grant have been met.		
<b>Conditional Grants:</b>		
<b>26.4 National: FMG</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(1 600 000)	(1 600 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix F). Not all funds have been paid.		
<b>26.5 National: MIG</b>		
Balance unspent at beginning of year	-	-
Current year receipts	48 329 000	47 211 000
Conditions met - transferred to Revenue: Operating Expenses	-	(1 544 389)
Conditions met - transferred to Revenue: Capital Expenses	(48 329 000)	(45 666 611)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
<b>26.6 National: Grants</b>		
Balance unspent at beginning of year	31 651 158	2 593 813
Current year receipts	19 430 000	48 121 077
Conditions met - transferred to Revenue: Operating Expenses	(4 715 903)	(4 233 619)
Conditions met - transferred to Revenue: Capital Expenses	(45 859 054)	(14 830 112)
Conditions still to be met - transferred to Liabilities (see Note 16)	506 201	31 651 158
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
<b>26.7 National - EPWP</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 984 000	5 330 000
Conditions met - transferred to Revenue: Operating Expenses	(4 984 000)	(5 330 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
<b>26.8 Provincial: Grants</b>		
Balance unspent at beginning of year	-	-
Current year receipts	22 627 463	47 262 775
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(12 121 635)	(47 262 775)
Conditions still to be met - transferred to Liabilities (see Note 16)	10 505 828	-
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix F). Not all funds have been paid.		

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>26.9 Local Government - Local Municipalities</b>		
Balance unspent at beginning of year	-	-
Current year receipts	7 017 911	8 756 713
Conditions met - transferred to Revenue: Operating Expenses	(1 599 294)	(2 760 640)
Conditions met - transferred to Revenue: Capital Expenses	(5 418 617)	(5 996 073)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.		
<b>26.10 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
<b>27. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Donations Received	260 514	3 812 828
<b>Total Public Contributions and Donations</b>	<b>260 514</b>	<b>3 812 828</b>
Donations received comprise of various connection/cables that was paid for by a third party.		
<b>28. OTHER INCOME</b>		
Premiums received and claims recovered	4 406 042	4 367 738
Admission, Academic and transaction fees	5 645 566	1 350 891
Burial fees	1 819 712	1 565 385
Building Plan Approvals	1 722 700	2 025 210
Market Fees	3 541 156	3 193 806
Miscellaneous revenue		9 330 340
Draining Fees	996 328	841 990
Unclaimed fines, deposits and stale cheques	1 869 036	1 700 098
Other Income	3 659 123	2 622 283
<b>Total Other Income</b>	<b>23 659 662</b>	<b>26 997 742</b>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
<b>29. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	325 933 535	274 089 374
Employee Related Costs - Contributions for UIF and Medical Aids	36 718 228	36 501 517
Employee Related Costs - Contributions for Pensions	44 069 507	34 949 970
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	97 706 204	101 570 755
Housing Benefits and Allowances	2 501 884	1 859 318
Overtime Payments	27 574 133	24 635 024
Long-service Awards	9 544 278	9 807 308
Defined Benefit Plan Expense:	56 825 778	(20 398 000)
Current Service Cost	9 781 000	11 178 000
Interest Cost	17 614 000	19 690 000
Net Actuarial loss/(gain) recognised	29 430 778	(51 266 000)
<b>Total Employee Related Costs</b>	<b>600 873 547</b>	<b>463 015 266</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	1 529 204	1 472 036
Car Allowance	150 000	150 000
Company Contributions to UIF, Medical and Pension Funds	304 789	290 361
<b>Total</b>	<b>1 983 993</b>	<b>1 912 396</b>
<b>Remuneration of the Director: Finance</b>		
Annual Remuneration	853 936	719 714
Car Allowance	318 420	311 712
Company Contributions to UIF, Medical and Pension Funds	176 005	146 401
<b>Total</b>	<b>1 348 361</b>	<b>1 177 827</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>29. EMPLOYEE RELATED COSTS (Continued)</b>		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	856 011	754 964
Car Allowance	318 420	320 702
Company Contributions to UIF, Medical and Pension Funds	180 502	253 482
<b>Total</b>	<b>1 354 933</b>	<b>1 329 148</b>
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	843 169	716 354
Car Allowance	318 420	309 780
Company Contributions to UIF, Medical and Pension Funds	177 853	161 355
<b>Total</b>	<b>1 339 442</b>	<b>1 187 489</b>
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	852 681	722 378
Car Allowance	318 420	304 884
Company Contributions to UIF, Medical and Pension Funds	149 552	121 394
<b>Total</b>	<b>1 320 653</b>	<b>1 148 656</b>
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	659 509	771 736
Car Allowance	285 479	304 884
Company Contributions to UIF, Medical and Pension Funds	170 742	146 766
<b>Total</b>	<b>1 115 730</b>	<b>1 223 386</b>
The post was vacant for a portion of the year.		
The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
<b>Staff Leave Benefits:-</b>		
Municipal Manager	114 944	52 708
Chief Financial Officer	172 293	80 104
Director Community	110 832	116 515
Director Corporate	145 578	122 870
Director SED	113 063	52 796
Director Technical	-	83 800
<b>Total</b>	<b>656 710</b>	<b>508 792</b>
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	818 699	786 211
Speaker	659 301	621 290
Councillors	13 434 881	12 149 911
Contributions to UIF, Medical and Pension Funds and other allowances	6 035 206	6 283 655
<b>Total Councillors' Remuneration</b>	<b>20 948 087</b>	<b>19 841 066</b>
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
<b>31. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	55 407 716	47 051 493
Amortisation: Intangible Assets	2 166 453	1 388 206
Depreciation: Investment Property	217 882	217 312
<b>Total Depreciation and Amortisation</b>	<b>57 792 050</b>	<b>48 657 012</b>
<b>32. IMPAIRMENT LOSS</b>		
<i>32.1 Impairment Loss on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>	159 613 107	143 165 133
Trade Receivables from exchange transactions	159 566 409	135 105 074
Trade Receivables from non-exchange transactions	46 698	8 060 058
	<b>159 613 107</b>	<b>143 165 133</b>
<b>Total Impairment Loss</b>	<b>159 613 107</b>	<b>143 165 133</b>
<b>33. FINANCE COSTS</b>		
Loans and Payables at amortised cost	29 018 431	30 458 023
<b>Total Interest Paid on External Borrowings</b>	<b>29 018 431</b>	<b>30 458 023</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

<b>34. BULK PURCHASES</b>	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Electricity	387 543 591	338 262 126
Water	66 466 299	66 198 499
<b>Total Bulk Purchases</b>	<b>454 009 890</b>	<b>404 460 624</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

<b>35. CONTRACTED SERVICES</b>		
Audit committee	483 626	304 635
Legal expenses	4 383 177	2 492 590
Maintenance of Equipment and Security	3 918 452	-
Project Management	1 969 920	2 058 205
Prepaid Vendor	18 333 313	18 227 079
Other Contracted Services	1 788 490	1 100 246
<b>Total Grants and Subsidies</b>	<b>30 876 978</b>	<b>24 182 755</b>

<b>36. GRANTS AND SUBSIDIES PAID</b>		
Diamonds and Dorings Festival	2 124 035	1 560 015
Gariep Festival	1 300 000	1 300 000
Indigent subsidy	32 695 833	53 123 619
Other Grants	1 501 196	1 360 000
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	1 700 000	850 000
<b>Total Grants and Subsidies</b>	<b>39 321 064</b>	<b>58 193 634</b>

The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

<b>37. GENERAL EXPENSES</b>		
Audit fees	3 911 274	3 619 608
Bank charges	2 853 288	2 867 498
Claims paid	687 393	793 133
Clarification/Purification Chemicals	6 132 095	6 751 235
Cleaning material	1 300 853	2 313 630
Conferences and seminars	8 986 436	8 447 526
Course fees/Skills development levy	5 058 869	4 880 432
Discount on early payment	25 667 386	23 224 189
Electricity	50 327 342	42 147 922
Fuel	10 233 945	10 320 088
Interns and learner ships	2 063 203	860 729
Insurance	4 499 878	4 189 799
Membership fees	6 015 855	4 785 865
Postage	2 183 780	2 025 479
Printing and stationary	6 726 040	5 654 650
Refuse removals	826 621	894 547
Sanitation	1 847 107	1 515 884
Software licences and Computer services	4 429 994	973 361
Sport/Transport events	1 065 548	999 318
Telephone expenditure	4 269 577	4 567 002
Uniforms and Protective clothing	3 831 362	2 890 551
Water	9 990 733	7 949 416
Water resource management fee	2 061 442	1 728 270
Ward committee activities	3 262 080	3 331 940
Workmen's compensation insurance	1 346 553	1 360 860
Other General Expenses	6 102 985	13 384 103
<b>Total General Expenses</b>	<b>175 681 639</b>	<b>162 477 035</b>

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

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**38. CHANGE IN ACCOUNTING POLICY**

There were no changes in accounting policy during the current financial year under review.

**39. CORRECTION OF ERROR**

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

**Unappropriated Surplus Account:**

Corrections to Debtors	(637 000)
Corrections to Creditors	(19 738 441)
Corrections to Expenditure	12 093 534
Corrections to Income	(239 370)
<b>Increase / (Decrease) in Unappropriated Surplus Account</b>	<b>(8 521 277)</b>
<b>Increase / (Decrease) in Accumulated Surplus Account</b>	<b>(8 521 277)</b>

**39.1 Restatement of Revenue:**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2015 Revenue	2015 Correction	Restated Amount
Other Income	33 704 935	(6 707 193)	26 997 742
	<b>33 704 935</b>	<b>(6 707 193)</b>	<b>26 997 742</b>

**39.2 Restatement of Expenditure:**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2015 Expenditure	2015 Correction	Restated Amount
Employee Related Costs	463 300 811	(285 545)	463 015 266
Depreciation and Amortisation	46 080 952	2 576 060	48 657 012
Contracted Services	-	24 182 755	24 182 755
General Expenses	250 650 967	(88 173 932)	162 477 035
Repairs and Maintenance	82 513 405	64 972 365	147 485 771
	<b>842 546 136</b>	<b>3 271 703</b>	<b>845 817 839</b>

**39.3 Restatement of Statement of Financial Position:**

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2015 Fin Position	2015 Correction	Restated Amount
Accumulated Surplus	1 900 111 738	(11 159 768)	1 888 951 970
Payables from Exchange Transactions	139 017 787	17 226 934	156 244 721
Property, Plant and Equipment	1 370 809 915	9 193 159	1 380 003 075
Trade Receivables from Non-Exchange Transactions	413 417 155	(637 000)	412 780 155
Vat Receivable from Exchange Transactions	9 915 879	(3 943 308)	5 972 571

**39.4 Restatement of Non-current Liabilities:**

No restatements for the financial year.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**39. CORRECTION OF ERROR (Continued)**

**39.5 Restatement of Current Liabilities:**

Included in the prior year's restated payables from exchange balance is an amount of R19,876,957 in respect of a salary creditor correction retrospectively.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions
Balances as per AFS previously published for 2014/2015	139 017 787
Restatement of Current Liabilities	17 226 934
<b>Balances as per current AFS published for 2014/2015</b>	<b>156 244 721</b>

**39.6 Restatement of Non-Current Assets**

The Municipality reviewed the useful lives stated in the Asset Register during the financial year. Certain errors pertaining to the useful lives of assets were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Intangible Assets	Property, Plant and Equipment
Balances as per AFS previously published for 2014/2015	3 244 624	1 370 809 915
Restatement of non-current assets	1 454 314	9 193 159
<b>Balances as per current AFS published for 2014/2015</b>	<b>4 698 938</b>	<b>1 380 003 075</b>

**39.7 Restatement of Depreciation:**

The Municipality reviewed the useful lives stated in the Asset Register during the financial year. Certain errors pertaining to the useful lives of assets were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Depreciation on PPE
Balances as per AFS previously published for 2014/2015	531 180 142
Restatement of Depreciation	(10 647 473)
<b>Balances as per current AFS published for 2014/2015</b>	<b>520 532 669</b>

**39.8 Adjustment of Revenue:**

Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue. Included in Fines are various items reclassified due to Municipal Standard Chart of Accounts (mSCOA) requirements.

The effect of the Correction of Error is as follows:

	Fines and Penalties	Other Income
Balances as per AFS previously published for 2014/2015	12 011 428	33 704 935
Adjustment of prior period revenue	7 340 404	(6 707 193)
<b>Balances as per current AFS published for 2014/2015</b>	<b>19 351 832</b>	<b>26 997 742</b>

**39.9 Adjustment of Expenses:**

The prior year figure for Depreciation and Amortisation has been restated due to corrections made to the Asset Register. This oversight has been rectified and the restated figure is reflected below. General Expense adjustments were due to mSCOA requirements.

The effect of the Correction of Error is as follows:

	Employee Related Costs	Depreciation and Amortisation	General Expenses
Balances as per AFS previously published for 2014/2015	463 300 811	46 080 952	250 650 967
Adjustment of prior period expenses	(285 545)	2 576 060	(88 173 932)
<b>Balances as per current AFS published for 2014/2015</b>	<b>463 015 266</b>	<b>48 657 012</b>	<b>162 477 035</b>

**39.10 Restatement of Current Assets**

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non Exchange Transactions. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2014/2015	993 933 909
Adjustment for prior period error	(4 580 308)
<b>Balances as per current AFS published for 2014/2015</b>	<b>989 353 602</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
<b>40. CHANGE IN ACCOUNTING ESTIMATES</b>		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
<b>41. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	256 095 614	227 883 068
Adjustment for:		
Adjusting non cash flow items prior errors	0	(595 202)
Depreciation and Amortisation	57 792 050	48 657 012
Contribution to Impairment Provision	161 570 809	149 009 888
Bad Debts Recovered	-	5 220 119
Bad Debts Written-off	(21 154 765)	(56 467 179)
Investment Income	(118 252 075)	(94 241 707)
Finance Costs	29 018 431	30 458 023
<b>Operating surplus before working capital changes</b>	<b>365 070 064</b>	<b>309 924 023</b>
(Increase)/Decrease in Inventories	231 245	(9 480 220)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(206 301 929)	(88 307 889)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(114 193 666)	(90 797 912)
(Increase)/Decrease in VAT Receivable	(4 365 393)	6 858 036
(Increase)/Decrease in Operating Lease Assets	37 186	19 884
Increase/(Decrease) in Consumer Deposits	6 971 835	5 164 277
Increase/(Decrease) in Creditors	(950 185)	(12 819 403)
Increase/(Decrease) in Conditional Grants and Receipts	(20 639 129)	29 057 345
(increase)/Decrease in provisions	49 665 145	(30 895 504)
Increase/(Decrease) in VAT Payable	4 426 023	(594 696)
<b>Cash generated by / (utilised in) Operations</b>	<b>79 951 196</b>	<b>118 127 940</b>
<b>Income for the year</b>	<b>1 945 471 378</b>	<b>1 738 533 780</b>
Adjustment for:-		
Investment income	(118 252 075)	(94 241 707)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(206 301 929)	(88 307 889)
Bad Debts Recovered	-	5 220 119
Bad Debts Written-off	(21 154 765)	(56 467 179)
(Increase)/Decrease in Operating Lease Assets	37 186	19 884
Increase/(Decrease) in Consumer Deposits	6 971 835	5 164 277
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(114 193 666)	(90 797 912)
(Decrease)/increase in conditional grants and receipts	(20 639 129)	29 057 345
<b>Cash receipts from ratepayers, government and other</b>	<b>1 471 938 835</b>	<b>1 448 180 718</b>
<b>Expenditure for the year</b>	<b>1 689 375 763</b>	<b>1 510 650 713</b>
Adjustment for:-		
Depreciation	57 792 050	48 657 012
Contribution to bad debt provision	161 570 809	149 009 888
Adjusting non cash flow items prior errors	0	(595 202)
Interest paid	29 018 431	30 458 023
<b>Operating expenditure before working capital changes:</b>	<b>1 440 994 474</b>	<b>1 283 120 991</b>
(Increase)/Decrease in inventories	231 245	(9 480 220)
(Decrease)/Increase in creditors	(950 185)	-12 819 403
(increase)/Decrease in provisions	49 665 145	-30 895 504
(decrease)/Increase in VAT	60 630	6 263 340
<b>Cash paid to suppliers and employees</b>	<b>1 391 987 639</b>	<b>1 330 052 778</b>
<b>Cash generated by/(utilized in) operations</b>	<b>79 951 196</b>	<b>118 127 940</b>
<b>42. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
<b>43. FINANCING FACILITIES</b>		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016	2015
	R	R
44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 18)	226 876 321	237 700 405
Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act.		
45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
45.1 Unauthorised Expenditure		
To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.		
	2016	2015
	R	R
2014		R
Reconciliation of Unauthorised Expenditure:		
Opening balance	-	-
Unauthorised Expenditure current year	10 329 679	2 823 634
Approved by Council or condoned	(10 329 679)	(2 823 634)
Unauthorised Expenditure awaiting authorisation	-	-
45.2 Fruitless and Wasteful Expenditure		
	2016	2015
	R	R
2014		R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	119 692	1 124 334
Fruitless and Wasteful Expenditure current year	1 574 360	119 692
Fruitless and Wasteful Expenditure reversed	-	(416 261)
Written off by Council	(151 345)	(708 073)
Fruitless and Wasteful Expenditure awaiting condonement	1 542 707	119 692
45.3 Irregular Expenditure		
	2016	2015
	R	R
2014		R
Reconciliation of Irregular Expenditure:		
Opening balance	212 719 245	14 143 467
Irregular Expenditure current year	26 955 395	210 916 140
Irregular Expenditure correction	27 114 548	1 773 413
Written off by Council or ratified by Accounting Officer	(266 789 188)	(10 067 510)
Irregular Expenditure awaiting condonement	-	212 719 245
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
	2016	2015
	R	R
46.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	6 000 431	4 785 865
Amount Paid - current year	(6 000 431)	(4 785 865)
Balance Unpaid (included in Creditors)	-	-

Incident	Amount	Causes
Kazia Consulting Engineers	150 000	Payment for services not op standard.
SARS penalty fees	1 392 707	Interest and penalties paid to SARS.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
46.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	3 911 274	3 619 608
Amount Paid - current year	(3 911 274)	(3 619 608)
Balance Unpaid (included in Creditors)	-	-
46.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.		
46.4 PAYE and UIF		
Opening Balance	-	-
Current year Payroll Deductions	75 638 755	68 056 437
Amount Paid - current year	(75 638 755)	(68 056 437)
Balance Unpaid (included in Creditors)	-	-
46.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	128 821 276	122 674 146
Amount Paid - current year	(128 821 276)	(122 674 146)
Balance Unpaid (included in Creditors)	-	-
46.6 Councillor's arrear Consumer Accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
30 June 2016	Total	<div>Outstanding up to 90 days</div> <div>Outstanding more than 90 days</div>
Askin LA	467	-467
Bishop MJ	35	-35
Boqo SG	148	-148
Doman WP/SE	2 110	1 578532
Hale GP	1 900	1 543357
Jabetla AK	22	-22
Likua A & Frans T	216	2098
Ludick HP	261	-261
Matsio FF	39	1920
Matsio J	103	-103
Modise OD & E	17	-17
Morudi GD	538	400138
Mpampi EZ	1 303	1 026276
Ntthangula A	1 169	-1 169
O'Neill-Coutts PA	12 483	7 9354 547
Pitt RA	30 051	1 60628 445
Louw PJF	453	340113
Rosen MS	302	-302
Strauss PAS	3 723	2 2521 471
Thabane MP	2 426	1 820606
Tsimakwane SK	99	-99
Van der Merwe GS	731	-731
Vilakazi PM	3 702	8612 840
Visagie GE	64	-64
Visser MB	811	663148
Wyngaard H (Settley)	1 286	710576
Total Councillor Arrear Consumer Accounts	65 402	21 90543 499

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)**

30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Louw PJF	157	-	157
Rosen MS	1 793	1 388	405
Wyngaard H (Settley)	41	-	41
Mthukwana NP	116	66	50
Bishop MJ	381	320	61
Thabane MP	2 952	1 524	1 428
Tsimakwane SK	161	-	161
Boqo SG	71	-	71
Nhlapo MG	197	105	92
Mpampi EZ	6 047	-	6 047
Tong KM & TH	377	-	377
Doman WP & SE	122	-	122
<b>Total Councillor Arrear Consumer Accounts</b>	<b>15 841</b>	<b>6 829</b>	<b>9 012</b>

**46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

No known matters existed at the reporting date.

**46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

**46.9 Material losses**

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 56.39%, 18 752 511 kl (2015: 55.17%, 18 940 545 kl) is disclosed to the amount of:

2016 R	2015 R
37 478 402	36 519 978

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 19.3%, 96 336 526 kWh (2015: 22.19%, 108 816 979 kWh) is disclosed to the amount of:

74 809 523	75 045 838
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**47. COMMITMENTS FOR EXPENDITURE**

**47.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Infrastructure

<b>19 198 350</b>	<b>54 230 135</b>
19 198 350	54 230 135

**- Approved but Not Yet Contracted for:-**

Infrastructure

Community

Other

<b>106 005 808</b>	<b>57 478 865</b>
79 179 805	30 282 865
18 826 003	15 096 000
8 000 000	12 100 000

**Total Capital Commitments**

<b>125 204 158</b>	<b>111 709 000</b>
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This expenditure will be financed from:

Government Grants

Own Resources

**Total Capital Funding**

81 564 302	64 276 000
43 639 856	47 433 000
<b>125 204 158</b>	<b>111 709 000</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

48. FINANCIAL INSTRUMENTS		2016 R	2015 R
<b>48.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
<b>Trade receivables from exchange transactions</b>			
Electricity	Amortised cost	43 420 980	34 774 822
Refuse	Amortised cost	19 757 837	16 370 812
Sewerage	Amortised cost	24 691 222	20 380 554
Water	Amortised cost	89 065 597	74 360 803
Miscellaneous	Amortised cost	143 102 017	109 663 051
Market	Amortised cost	301 896	299 028
Housing Debtors	Amortised cost	9 478 159	8 036 054
<b>Trade receivables from non exchange transactions</b>			
Assessment Rates	Amortised cost	472 653 553	332 578 964
Government Subsidy Claims	Amortised cost	47 423 409	63 038 099
Miscellaneous debtors	Amortised cost	2 843 073	11 173 898
Traffic Fines	Amortised cost	4 836 816	6 404 521
<b>Bank, Cash and Cash Equivalents</b>			
Bank	Amortised cost	34 343 040	17 559 969
Call Deposits	Amortised cost	90 950 000	79 420 316
Notice Deposits	Amortised cost	133 965 838	178 460 169
Cash Floats and Advances	Amortised cost	16 820	16 820
<b>Operating Lease Assets</b>			
Operating Lease Assets / Receivables	Amortised cost	34 999	72 186
		<b>1 116 885 255</b>	<b>952 610 065</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Amortised cost</b>			
Short-term Investment Deposits	Notice Deposits	133 965 838	178 460 169
Trade receivables from non-exchange transactions	Assessment Rates	472 653 553	332 578 964
Trade receivables from exchange transactions	Electricity	43 420 980	34 774 822
Trade receivables from exchange transactions	Refuse	19 757 837	16 370 812
Trade receivables from exchange transactions	Sewerage	24 691 222	20 380 554
Trade receivables from exchange transactions	Water	89 065 597	74 360 803
Trade receivables from exchange transactions	Miscellaneous	143 102 017	109 663 051
Trade receivables from exchange transactions	Market	301 896	299 028
Trade receivables from exchange transactions	Housing Debtors	9 478 159	8 036 054
Trade receivables from non-exchange transactions	Government Subsidy Claims	47 423 409	63 038 099
Trade receivables from non-exchange transactions	Miscellaneous debtors	2 843 073	11 173 898
Trade receivables from non-exchange transactions	Traffic Fines	4 836 816	6 404 521
Operating Lease Assets	Operating Lease Assets / Receivables	34 999	72 186
Bank Balances and Cash	Cash Floats and Advances	34 359 860	17 576 789
Short-term Investment Deposits	Call Deposits	90 950 000	79 420 316
<b>Total Financial Assets</b>		<b>1 116 885 255</b>	<b>952 610 065</b>
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	218 675 316	226 818 398
<b>Consumer Deposits</b>			
Electricity and Water	Amortised cost	28 820 246	21 848 411
<b>Creditors</b>			
Trade Creditors	Amortised cost	96 691 150	102 979 602
Other Creditors	Amortised cost	-	53 127
Payments received in Advance	Amortised cost	16 249 740	12 684 720
Staff Bonuses	Amortised cost	9 911 283	9 969 519
Accrued leave	Amortised cost	32 442 363	30 557 754
<b>Unspent Conditional Grants and Receipts</b>			
Conditional Grants from Government	Amortised cost	11 012 029	31 651 158
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	8 201 006	10 882 007
		<b>422 003 133</b>	<b>447 444 695</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Annuity Loans	218 675 316	226 818 398
Consumer Deposits	Electricity and Water	28 820 246	21 848 411
Payables from exchange transactions	Trade Creditors	96 691 150	102 979 602
Payables from exchange transactions	Other Creditors	-	53 127
Unspent Conditional Grants and Receipts	Conditional Grants from Government	11 012 029	31 651 158
Current Portion of Long-term Liabilities	Annuity Loans	8 201 006	10 882 007
Payables from exchange transactions	Payments received in Advance	16 249 740	12 684 720
Payables from exchange transactions	Staff Bonuses	9 911 283	9 969 519
Payables from exchange transactions	Accrued leave	32 442 363	30 557 754
<b>Total Financial Liabilities</b>		<b>422 003 133</b>	<b>447 444 695</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The gearing ratio at the year-end was as follows:

	2016 R	2015 R
Net Debt	422 003 133	447 444 695
Equity	<u>2 145 047 585</u>	<u>1 888 951 970</u>
<b>Net debt to equity ratio</b>	<b>19.67%</b>	<b>23.69%</b>

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

**48.3 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

**48.4 Significant Accounting Policies**

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

**48.5 Liquidity Risk**

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**48.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**48.6.1 Foreign Currency Risk Management**

The municipality has very limited exposure to the financial risks of foreign currency.

**48.6.2 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

2016  
R

2015  
R

**48. FINANCIAL INSTRUMENTS (Continued)**

**Interest Rate Sensitivity Analysis**

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

**SENSITIVITY ANALYSIS - INTEREST RATE**

***Effect of a change in interest rate on interest bearing financial assets and liabilities***

<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>		
<b><u>External investments:</u></b>			
Call Deposits	Amortised cost	90 950 000	79 420 316
Notice Deposits	Amortised cost	133 965 838	178 460 169
		<b>224 915 838</b>	<b>257 880 485</b>

**Interest received**

Interest Earned - External Investments	20 995 888	21 164 955
Interest rate	9%	8%

***Effect of a change in interest rate on interest earned from external investments:***

Effect of change in interest rate	%	8%	7%
Effect of change in interest rate	Rand value	18 746 730	18 586 150
Effect of change in interest rate	%	10%	9%
Effect of change in interest rate	Rand value	23 245 046	23 743 760

**Outstanding debtors:**

Trade receivables from exchange transactions	Amortised cost	329 817 707	263 885 124
Trade receivables from non-exchange transactions	Amortised cost	522 955 034	406 863 146
		<b>852 772 741</b>	<b>670 748 270</b>

**Interest received**

Interest Earned - Outstanding Debtors	97 256 187	73 076 752
Interest rate	11%	11%

***Effect of a change in interest rate on interest earned from outstanding debtors***

Effect of change in interest rate	%	10%	10%
Effect of change in interest rate	Rand value	88 728 460	66 369 269
Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	105 783 915	79 784 234

**Financial Liabilities**

<b><u>Long-term Liabilities</u></b>	<b><u>Classification</u></b>		
Annuity Loans	Amortised cost	218 675 316	226 818 398
Annuity Loans - current portion	Amortised cost	8 201 006	10 882 007
		<b>226 876 321</b>	<b>237 700 405</b>

**Interest paid**

Long-term Liabilities	29 018 431	30 458 023
Interest rate %	13%	13%

***Effect of a change in interest rate on interest paid on long-term liabilities***

Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	26 749 668	28 081 019
Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	31 287 194	32 835 027

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.7 Effective Interest Rates and Repricing Analysis**

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

**30 June 2016**

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>							
<b>Bank Facilities</b>		<b>226 876 321</b>	<b>-</b>	<b>864 007</b>	<b>-</b>	<b>5 615 367</b>	<b>220 396 947</b>
Loan No 10616 : DBSA	12.00%	864 007		864 007			
Loan No 101452 : DBSA	10.91%	5 615 367				5 615 367	
Loan No 102855/1 : DBSA	12.61%	15 545 480					15 545 480
Loan No 102855/3 : DBSA	6.75%	2 982 086					2 982 086
Loan No 103958/2 : DBSA	12.445%	201 869 382					201 869 382
<b>Total Fixed Rate Instruments</b>		<b>226 876 321</b>	<b>-</b>	<b>864 007</b>	<b>-</b>	<b>5 615 367</b>	<b>220 396 947</b>
<b>VARIABLE RATE INSTRUMENTS</b>							
Short-term Investment Deposits		224 915 838	90 950 000	133 965 838			
Bank Balances and Cash		16 820	16 820				
Housing guarantees		13 994					13 994
<b>Total Variable Rate Instruments</b>		<b>224 946 652</b>	<b>90 966 820</b>	<b>133 965 838</b>	<b>-</b>	<b>-</b>	<b>13 994</b>

**30 June 2015**

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>							
<b>Bank Facilities</b>		<b>237 700 405</b>	<b>1 212 316</b>	<b>2 357 999</b>	<b>1 633 015</b>	<b>6 871 004</b>	<b>225 626 071</b>
Loan No 10112 : DBSA	12.00%	2 357 999		2 357 999			
Loan No 10113 : DBSA	12.00%	1 633 015			1 633 015		
Loan No 10616 : DBSA	10.91%	6 871 004				6 871 004	
Loan No 101452 : DBSA	12.61%	16 037 281					16 037 281
Loan No 102855/1 : DBSA	13.12%	707 096	707 096				
Loan No 102855/2 : DBSA	6.75%	3 278 503					3 278 503
Loan No 102855/3 : DBSA	6.75%	505 220	505 220				
Loan No 102855/4 : DBSA	12.445%	206 310 287					206 310 287
<b>Total Fixed Rate Instruments</b>		<b>237 700 405</b>	<b>1 212 316</b>	<b>2 357 999</b>	<b>1 633 015</b>	<b>6 871 004</b>	<b>225 626 071</b>
<b>VARIABLE RATE INSTRUMENTS</b>							
Short-term Investment Deposits		257 880 485	79 420 316	178 460 169			
Bank Balances and Cash		16 820	16 820				
Housing guarantees		13 994					13 994
<b>Total Variable Rate Instruments</b>		<b>257 911 299</b>	<b>79 437 136</b>	<b>178 460 169</b>	<b>-</b>	<b>-</b>	<b>13 994</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**48.8 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**48.9 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2016

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		28 820 246					28 820 246
- Creditors		155 294 536	155 294 536				
- Unspent Conditional Grants		11 012 029		11 012 029			
<b>Fixed Interest Rate Instruments</b>							
Loan No 10616 : DBSA	12.00%	943 148	471 574	471 574			
Loan No 101452 : DBSA	10.91%	6 909 352	987 050	987 050	1 974 100	2 961 152	
Loan No 102855/1 : DBSA	12.61%	31 311 144	1 252 446	1 252 446	2 504 892	7 514 675	18 786 687
Loan No 102855/3 : DBSA	6.75%	5 134 249	256 712	256 712	513 425	1 540 275	2 567 125
Loan No 103958/2 : DBSA	12.45%	450 438 210	15 014 607	15 014 607	30 029 214	90 087 642	300 292 140
<b>Total</b>		<b>689 862 915</b>	<b>173 276 925</b>	<b>28 994 418</b>	<b>35 021 630</b>	<b>102 103 743</b>	<b>350 466 198</b>

30 June 2015

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		21 848 411					21 848 411
- Creditors		156 244 721	156 244 721				
- Unspent Conditional Grants		31 651 158		31 651 158			
<b>Fixed Interest Rate Instruments</b>							
Loan No 10113 : DBSA	12.00%	2 573 180	1 286 590	1 286 590			
Loan No 10616 : DBSA	12.00%	1 886 296	471 574	471 574	943 148		
Loan No 101452 : DBSA	10.91%	8 883 450	987 050	987 050	1 974 100	4 935 250	
Loan No 102855/1 : DBSA	12.61%	33 816 036	1 252 446	1 252 446	2 504 892	7 514 675	21 291 578
Loan No 102855/2 : DBSA	13.12%	753 827	753 827				
Loan No 102855/3 : DBSA	6.75%	6 161 099	256 712	256 712	513 425	1 540 275	3 593 975
Loan No 102855/4 : DBSA	6.75%	522 400	522 400				
Loan No 103958/2 : DBSA	12.45%	480 467 424	15 014 607	15 014 607	30 029 214	90 087 642	330 321 354
<b>Total</b>		<b>744 808 001</b>	<b>176 789 927</b>	<b>50 920 137</b>	<b>35 964 778</b>	<b>104 077 841</b>	<b>377 055 318</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.10 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2016 Gross Amount R	30 June 2015 Gross Amount R
Department of Public Works	266 537 997	173 057 836
Kimberley Cold Storage PTY	10 652 495	
GW Rugby Union	7 887 099	6 527 300
WDC WDC Business Trust		5 589 171
Department of Roads	9 431 809	6 817 314
De Beers Consolidated Mines	32 253 914	22 968 672

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2016 R	2015 R
Fixed Deposit Investments	224 915 838	257 880 485
Finance Lease Receivables	1 758 396	1 280 169
Consumer Debtors	329 817 707	263 885 124
Other Debtors	527 756 850	413 195 482
Bank, Cash and Cash Equivalents	16 820	16 820
Operating Lease Assets	34 999	72 186
Housing Guarantees	13 994	13 994
<b>Maximum Credit and Interest Risk Exposure</b>	<b>1 084 314 604</b>	<b>936 344 260</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**48. FINANCIAL INSTRUMENTS (Continued)**

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2016 R	2015 R
Households	453 079 328	329 564 655
Industrial/commercial	106 384 114	98 651 894
National and provincial government	234 901 062	160 187 480
<b>Maximum Consumer Risk Exposure</b>	<b>794 364 503</b>	<b>588 404 029</b>

**49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

All participating councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

44 069 507                      34 949 970

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

None of the below mentioned Funds are State Plans.

**Municipal Councillors Pension Fund:**

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 99.5% as at 30 June 2012 and is therefore technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

**Cape Joint Pension Fund:**

The statutory valuation performed as at 30 June 2015 revealed a funding level of 101.4% for the Pensioner Account, the Defined Contribution Section was 100% and the Defined Benefits Section 153.1% funded. The current contribution rate for the 29 DB active members translates into a shortfall of about R0.262 million per year. The Local Authority required contribution rate is 32.11% for the 29 DB members. (current rate is 26.77%)

**Cape Retirement Fund:**

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2015.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 100% for the Preservation Pensions account and 112.1% for the Pension Account. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

**SALA Pension Fund:**

At the valuation date of 1 July 2012 the SALA pension fund was 100% (1 July 2011: 98%) funded. The valuator indicated that funding level improved to 100% funded at the valuation date. The valuator recommended that the employers continue to contribute at the current rate.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)**

**Municipal Employees Pension Fund:**

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

**National Fund for Municipal Workers:**

At the valuation date of 30 June 2014 the National Fund for Municipal Workers the nett assets available for benefits equals the actuarial value of the assets. The valuator stated that he was satisfied that the fund will continue to be able to meet its liabilities.

**South African Municipal Workers Union National Provident Fund:**

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2014 the Fund was 111.7% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

**50. RELATED PARTY TRANSACTIONS**

**50.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses.

**50.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
<b>For the Year ended 30 June 2016</b>				
Councillors	164 994	618 827	-	65 402
Municipal Manager and Section 57 Personnel	156 389	391 296	-	16 212
<b>Total Services</b>	<u><u>321 383</u></u>	<u><u>1 010 123</u></u>	<u><u>-</u></u>	<u><u>81 614</u></u>
<b>For the Year ended 30 June 2015</b>				
Councillors	110 867	432 584	-	15 841
Municipal Manager and Section 57 Personnel	86 549	326 039	-	43 022
<b>Total Services</b>	<u><u>197 416</u></u>	<u><u>758 623</u></u>	<u><u>-</u></u>	<u><u>58 863</u></u>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**50.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

**50.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**50. RELATED PARTY TRANSACTIONS (Continued)**

**2016**  
**R**

**2015**  
**R**

**50.5 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties: all these were declared in the Municipal Bidding Documents.

<b>Name Supplier</b>	<b>Related Person</b>	<b>Municipal Capacity</b>	<b>Purchases for the year</b>	<b>Purchases for the year</b>
N B Mechanical Sales	S Barnes	Nursing Sister	-	16 453 033
S&R Enterprises	S Barnes	Nursing Sister	-	8 574 047
MCD Painters	K Mcdonalds	Admin assistant	29 375	77 188
Qongo TG Trading	Mother	Nursing Sister	42 033	1 739 575
Naledi Chemicals	D De Haast	Department of Education	238 201	293 316
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	60 649	83 422
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	6 942 273	4 420 150
J&B Communication	A Abbott	Working at IT	199 203	341 777
JS Medical & Surgical Suppliers	H Williams	Kimberley Hospital	150 746	144 808
Moribe creations Co Ltd	M.A. Scheepers	Agriculture/ Home Affairs	-	22 070
Panprop CC T/A Valudata	AJ De Klerk	Principal Clerk Properties	35 100	68 314
AURECON South Africa	PM Vilakazi	Councillor	6 393 895	2 318 468
Senzonhle Trading	DNA Holele	Communications Officer	-	52 750
SMEC South Africa	MN Phosa	Spouse is MEC in Mpumalanga	1 196 775	977 872
Elektro Vroomen	J Modise	NERSA	688 315	753 658
<b>Total Purchases</b>			<b>15 976 566</b>	<b>36 320 448</b>

It should be noted that new Councillors were not included in this note as they were elected after year end.

**51. CONTINGENT LIABILITIES**

**51.1 Guarantees:**

The municipality pledged the following amounts as guarantee for employees' housing bonds:

**13 994**

**13 994**

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

**51.2 Court Proceedings:**

<b>51.2.1 High Court matters</b>	83 646 475	83 079 911
Various claims and litigation is in process.		
<b>51.2.2 Litigation and claims in process</b>	5 470 372	4 053 157
Various claims and litigation is in process.		
<b>51.2.3 Labour matters (SALGBC)</b>	370 000	294 000
Various cases involving Council.		
<b>51.2.4 Magistrate court matters</b>	107 457	227 714
Various cases involving Council.		
	<b>89 594 304</b>	<b>87 654 781</b>

All the above cases are being defended. The timing of any cash outflow is uncertain.

**51.3 Other liabilities:**

**51.3.1** Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2016, the salary scales of Executive Directors were not finalised as yet as well as the implementation of task outcomes on employees revaluated. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

**51.3.2** Other cases: Various claims between employees and Council is in process.

**52. CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**53. IN-KIND DONATIONS AND ASSISTANCE**

The municipality received no in-kind donations and assistance during the year under review.

**54. COMPARISON WITH THE BUDGET**

The comparison of the municipality's actual financial performance against that budget, is set out in Appendices "E(1), E(2) and E(3)".

**55. PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the 2015/16 financial year.

**56. EVENTS AFTER THE REPORTING DATE**

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years.

**57. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

**58. DISCONTINUED OPERATIONS**

No operations have been discontinued.

**59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE**

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:

GRAP 32 Service Concession arrangements: Grantor

GRAP 108 Statutory receivables

GRAP 109 Accounting by Principals and Agents

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.



**APPENDIX A**  
**SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Redeemable Date</b>	<b>Balance at 30/06/14</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/15</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>LONG TERM LIABILITIES</b>			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>ANNUITY LOANS</b>							222 125 514	
DBSA Loan @ 12%	10113	30-06-2016	2 357 999		2 357 999	0		
DBSA Loan @ 12%	10616	30-06-2017	1 633 015		769 008	864 007		
DBSA Loan @ 10.91%	101452	31-12-2019	6 871 004		1 255 637	5 615 367		
DBSA Loan @ 12.61%	102855/1	31-12-2028	16 037 281		491 801	15 545 480		
DBSA Loan @ 13.12%	102855/2	31-12-2015	707 096		707 096	0		
DBSA Loan @ 6.75%	102855/3	31-12-2023	3 278 503		296 417	2 982 086		
DBSA Loan @ 6.75%	102855/4	31-12-2015	505 220		505 220	0		
DBSA Loan @ 12.445%	103958/2	30-06-2031	206 310 287		4 440 905	201 869 382		
<b>Sub total DBSA</b>			<b>237 700 405</b>	<b>-</b>	<b>10 824 084</b>	<b>226 876 321</b>		
<b>Total Annuity loans</b>			<b>237 700 405</b>	<b>-</b>	<b>10 824 084</b>	<b>226 876 321</b>	<b>222 125 514</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>237 700 405</b>	<b>-</b>	<b>10 824 084</b>	<b>226 876 321</b>	<b>222 125 514</b>	<b>-</b>

**APPENDIX B**  
**SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	272 704 236	15 589 497	9 686 356	(28 093)	19 331 269		29 017 625	297 951 996	89 181 746	5 780 428	(28 093)	94 934 080	203 017 915
Roads, Pavements and Storm water	459 540 979	5 780 647	10 835 127		45 071 027	33 417 910	22 488 244	476 156 753	132 487 454	12 764 078		145 251 532	330 905 221
Sewerage	372 019 194	4 789 274	48 296 842	(40 549)	144 068 940	17 312 989	175 052 793	425 064 761	55 307 412	6 657 046	(40 549)	61 923 910	363 140 852
Street Lights	20 320 529		1 483 919				1 483 919	21 804 448	9 223 269	509 700		9 732 969	12 071 480
Landfill Site	27 336 931	287 367						27 624 298	10 133 809	1 720 312		11 854 121	15 770 177
Landfill Site Improvements			9 906 458				9 906 458	9 906 458				0	9 906 458
Water	257 205 725	3 216 336	39 692 594		31 749 047	873 140	70 568 501	300 114 655	110 345 988	4 018 581		114 364 569	185 750 086
	1 409 127 595	29 663 121	119 901 296	(68 642)	240 220 283	51 604 039	308 517 540	1 558 623 369	406 679 678	31 450 145	(68 642)	438 061 181	1 120 562 189
Community Assets													
Owned Buildings	302 702 437	5 055 178	1 895 950		32 638 650	8 180 438	26 354 162	309 653 566	49 486 759	7 391 659		56 878 418	252 775 148
Land	54 930 438						0	54 930 438				0	54 930 438
	357 632 875	5 055 178	1 895 950	-	32 638 650	8 180 438	26 354 162	364 584 004	49 486 759	7 391 659	-	56 878 417.78	307 705 586
Heritage Assets													
Heritage Assets	6 801 944		1 846 350				1 846 350	8 648 295				-	8 648 295
	6 801 944	-	1 846 350	-	-	-	1 846 350	8 648 295	-	-	-	-	8 648 295
Other Assets													
Computer Equipment	14 170 056	1 902 281						16 072 337	6 354 424	2 561 406		8 915 830	7 156 507
Furniture and Equipment	20 151 903	894 314						21 046 217	12 566 949	2 376 815		14 943 764	6 102 453
Other Machinery and Equipment	12 013 599	1 283 198						13 296 797	6 416 522	1 853 264		8 269 786	5 027 011
Motor Vehicles	87 297 858	5 953 336						93 251 193	39 028 337	9 774 427		48 802 764	44 448 429
Assets Held for Sale	141 858							141 858				-	141 858
	133 775 274	10 033 128	-	-	-	-	-	143 808 402	64 366 232	16 565 912	-	80 932 144	62 876 258
Total	1 907 337 688	44 751 427	123 643 596	(68 642)	272 858 933	59 784 477	336 718 052	2 075 664 070	520 532 669	55 407 716	(68 642)	575 871 743	1 499 792 327

APPENDIX C  
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Directorate	COST LEASING LOCAL MONITOR REPORT: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019											Carrying Value	
	Cost							Accumulated Depreciation					
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Opening Balance					Commissioned	Closing Balance							
Executive and Council	1 642 355	14 928						1 657 282	62 606	339 500		402 106	1 255 177
Municipal General	2 625 571	375 948						3 001 519	100 085	550 325		650 410	2 351 109
Municipal Manager	1 941 065	61 969						2 003 034	73 992	375 800		449 792	1 553 242
Corporate Services	32 091 833	552 016						32 643 849	1 203 323	3 720 321		4 923 644	27 720 205
Community Services	307 961 162	6 151 088	13 648 758		28 171 281		41 820 039	327 761 008	57 014 124	8 991 660		66 005 783	261 755 225
Financial Services	15 871 253	1 530 976						17 402 228	659 679	2 950 190		3 609 869	13 792 360
Strategic and Economic Development	37 116 924	228 718						37 345 642	1 414 876	4 729 776		6 144 652	31 200 989
Infrastructure and Services	1 508 087 526	35 835 785	109 994 838	(68 642)	244 687 651	59 784 477	294 898 013	1 653 849 507	460 003 985	33 750 144	(68 642)	493 685 486	1 160 164 021
TOTAL	1 907 337 688	44 751 427	123 643 596	(68 642)	272 858 933	59 784 477	336 718 052	2 075 664 070	520 532 669	55 407 716	(68 642)	575 871 743	1 499 792 327

**APPENDIX D**  
**SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30 JUNE 2016**

	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Actual Income & Expenditure R	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	%		R	R	%	
<b>Income per directorate</b>									
Executive and Council	-	-	-			-	-	0%	
Municipal General	282 293 504	93 292 452	375 585 956	33%	Increases on: grant funding for capital and interest received.	390 800 525	15 214 569	4%	
Municipal Manager	1 703 493	-	1 703 493	0%		0	(1 703 493)	-100%	Due to mSCOA it was transferred to Municipal General.
Corporate Services	7 381 858	-	7 381 858	0%		2 706 462	(4 675 396)	-63%	Grant income not realising.
Community Services	40 380 995	53 424 149	93 805 144	132%	Reallocation of refuse service.	86 399 710	(7 405 434)	-8%	
Financial Services	439 006 235	19 450 000	458 456 235	4%	Increase in rates income.	496 684 359	38 228 124	8%	
Strategic and Economic Development	8 325 400	-	8 325 400	0%		7 185 201	(1 140 199)	-14%	
Infrastructure and Services	1 034 404 823	(64 829 148)	969 575 675	-6%	Reallocation of refuse service and decrease in projected electricity, sewerage and water income.	961 695 120	(7 880 555)	-1%	
<b>Total</b>	<b>1 813 496 308</b>	<b>101 337 453</b>	<b>1 914 833 761</b>	<b>6%</b>		<b>1 945 471 378</b>	<b>30 637 617</b>	<b>2%</b>	
<b>Expenditure per directorate</b>									
Executive and Council	39 892 926	189 998	40 082 924	0%		40 167 060	84 136	0%	
Municipal General	317 130 552	780 000	317 910 552	0%		299 385 905	(18 524 647)	-6%	
Municipal Manager	16 773 845	3 840 163	20 614 008	23%	Reallocations as result of SCOA implementation.	17 284 430	(3 329 578)	-16%	Saving on expenditure.
Corporate Services	60 716 946	(2 360 157)	58 356 789	-4%	Reallocations as result of SCOA implementation.	56 225 687	(2 131 102)	-4%	
Community Services	180 556 213	50 432 152	230 988 365	28%	Reallocation of refuse service.	222 404 047	(8 584 318)	-4%	
Financial Services	112 556 525	999 998	113 556 523	1%	Increase on bank charges and GIS project.	103 287 084	(10 269 439)	-9%	Saving on vacancies not filled.
Strategic and Economic Development	42 197 923	8 087 624	50 285 547	19%	Increase on projects and SCOA reallocations.	48 536 509	(1 749 038)	-3%	
Infrastructure and Services	968 517 426	(46 496 387)	922 021 039	-5%	Reallocation of refuse service and increases on various projects, maintenance and bulk water.	902 085 042	(19 935 997)	-2%	
<b>Total</b>	<b>1 738 342 356</b>	<b>15 473 391</b>	<b>1 753 815 747</b>	<b>1%</b>		<b>1 689 375 763</b>	<b>(64 439 984)</b>	<b>-4%</b>	<b>Due to the savings in general expenditure and repairs and maintenance cost.</b>
<b>Surplus/(Deficit)</b>	<b>75 153 952</b>	<b>85 864 062</b>	<b>161 018 014</b>	<b>114%</b>	<b>Increase on grant funding for capital.</b>	<b>256 095 614</b>	<b>95 077 600</b>	<b>59%</b>	<b>Due to the savings in expenditure .</b>

**APPENDIX E(1)**  
**SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016**

	2016 Actual	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R					
<b>REVENUE</b>									
Property Rates	484 397 277	423 808 235	20 000 000	443 808 235	4%		40 589 042	9%	Due to new developments.
Service Charges	1 004 894 715	1 019 892 820	(7 226 999)	1 012 665 821	-1%		(7 771 106)	-1%	
Rental of Facilities and Equipment	9 839 067	19 182 120	(8 876 620)	10 305 500	-90%	Reallocations as result of mSCOA implementation.	(466 433)	-5%	
Interest Earned - External Investments	20 995 888	16 000 000	3 000 000	19 000 000	14%	Due to increase in investments and interest rate.	1 995 888	11%	Due to increase in interest rates.
Interest Earned - Outstanding Debtors	97 256 187	50 000 000	30 000 000	80 000 000	31%	Due to increases in debtors and interest rate.	17 256 187	22%	Due to increases in debtors and interest rate.
Fines	17 406 849	10 419 300	11 260 000	21 679 300	65%	Due to GRAP implementation.	(4 272 451)	-20%	Due to IGRAP1 correction.
Licenses and Permits	2 850 726	2 995 000	(30 000)	2 965 000	-1%		(114 274)	-4%	
Income for Agency Services	6 181 888	5 800 000	-	5 800 000	0%		381 888	7%	
Government Grants and Subsidies	275 943 005	231 062 540	59 788 452	290 850 992	22%	Due to capital projects being rolled over.	(14 907 987)	-5%	Due to capital projects to be rolled over.
Public Contributions and Donations	260 514	-	-	-	0%		260 514	0%	Not budgeted.
Other Income	23 659 662	34 336 293	(6 577 380)	27 758 913	-28%	Reallocations as result of mSCOA implementation.	(4 099 251)	-15%	Reallocations as result of mSCOA implementation.
Gains on disposal of property, plant and equipment	1 785 600	-	-	-	0%		1 785 600	0%	Not budgeted.
<b>Total Revenue</b>	<b>1 945 471 378</b>	<b>1 813 496 308</b>	<b>101 337 453</b>	<b>1 914 833 761</b>	<b>5%</b>		<b>30 637 617</b>	<b>2%</b>	
<b>EXPENDITURE</b>									
Employee Related Costs	600 873 547	597 253 781	4 326 703	601 580 484	1%		(706 937)	0%	
Remuneration of Councillors	20 948 087	21 365 290	-	21 365 290	0%		(417 204)	-2%	
Impairment Losses	159 613 107	161 000 000	-	161 000 000	0%		(1 386 893)	-1%	
Collection Costs	455 223	1 800 000	-	1 800 000	0%		(1 344 777)	-75%	Due to savings.
Depreciation	57 792 050	53 600 000	-	53 600 000	0%		4 192 050	8%	
Repairs and Maintenance	120 274 041	81 503 337	55 059 847	136 563 184	46%	Reallocations as result of mSCOA implementation.	(16 289 143)	-12%	Due to savings after increase in adjustment budget.
Finance Costs	29 018 431	29 789 565	(100 000)	29 689 565	0%		(671 134)	-2%	
Bulk Purchases	454 009 890	461 000 000	1 400 000	462 400 000	0%		(8 390 110)	-2%	
Contracted services	30 876 978	-	32 394 701	32 394 701	105%	Reallocations as result of mSCOA implementation.	(1 517 723)	-5%	
Grants and Subsidies Paid	39 321 064	55 050 000	1 980 000	61 871 500	5%		(22 550 436)	-36%	Due to revision in policy and verification process of indigents.
General Expenses - Other	175 681 639	275 980 233	(79 742 860)	191 395 873	-45%	Reallocations as result of mSCOA implementation.	(15 714 234)	-8%	
Losses on Inventory	102 234	-	155 000	155 000	152%	Reallocations as result of mSCOA implementation.	(52 766)	-34%	Due to savings.
Foreign Exchange Loss	409 474	-	-	-	0%		409 474	0%	Due to devaluating of the Rand.
<b>Total Expenditure</b>	<b>1 689 375 763</b>	<b>1 738 342 206</b>	<b>15 473 391</b>	<b>1 753 815 597</b>	<b>1%</b>		<b>(64 439 834)</b>	<b>-4%</b>	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
<b>NET SURPLUS FOR THE YEAR</b>	<b>256 095 614</b>	<b>75 154 102</b>	<b>85 864 062</b>	<b>161 018 164</b>	<b>34%</b>		<b>95 077 450</b>	<b>59%</b>	Due to the savings in expenditure .

**APPENDIX E(2)**  
**SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016**

Directorate	2016 Actual Additions	2016 Work in Progress Additions	2016 Total Additions	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	14 928	-	14 928	-	-	-		Loose equipment budget	14 928		Loose equipment reallocation
Municipal General	375 948	-	375 948	3 000 000	-	3 000 000	0%	Loose equipment budget	(2 624 052)	-87%	Loose equipment reallocation
Municipal Manager	61 969	-	61 969	-	-	-		Loose equipment budget	61 969		Loose equipment reallocation
Corporate Services	552 016	-	552 016	-	-	-		Loose equipment budget	552 016		Loose equipment reallocation
Community Services	6 151 088	13 648 758	19 799 846	15 096 000	(1 014 000)	14 082 000	-7%		5 717 846	41%	Landfill project moved to Infrastructure.
Financial Services	1 530 976	-	1 530 976	4 500 000	-	4 500 000	0%		(2 969 024)	-66%	Intangible assets reallocated
Strategic and Economic Development	228 718	-	228 718	9 100 000	1 844 000	10 944 000	20%	Rolled over projects	(10 715 282)	-98%	Cemetery project moved to Infrastructure.
Infrastructure and Services	35 835 785	109 994 838	145 830 623	80 013 000	88 479 000	168 492 000	111%	Add additional projects and rolled over projects.	(22 661 377)	-13%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
<b>TOTAL</b>	<b>44 751 427</b>	<b>123 643 596</b>	<b>168 395 024</b>	<b>111 709 000</b>	<b>89 309 000</b>	<b>201 018 000</b>	<b>80%</b>	<b>Add additional projects and rolled over projects.</b>	<b>(32 622 976)</b>	<b>-16%</b>	<b>Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.</b>

## SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Cash receipts from Ratepayers, Government and Other	1 471 938 835	1 580 222 000	(16 787 000)	1 563 435 000	-1%	Due to adjusting income, grants and service charges.	(91 496 165)	-6%	
Cash paid to Suppliers and Employees	1 391 987 639	1 443 953 000	15 574 000	1 459 527 000	1%	Due to adjusting bulk purchase of water and electricity and other expenditures.	(67 539 361)	-5%	
<b>Cash generated from / (utilised in) Operations</b>	<b>79 951 196</b>	<b>136 269 000</b>	<b>(32 361 000)</b>	<b>103 908 000</b>					
Interest received	118 252 075	26 000 000	73 000 000	99 000 000	74%	Due to increase in investments and interest on debtors.	19 252 075	19%	Investment income increased above expectations.
Interest paid	(29 018 431)	(29 790 000)	100 000	(29 690 000)	0%		671 569	-2%	
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>169 184 841</b>	<b>132 479 000</b>	<b>40 739 000</b>	<b>173 218 000</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Purchase of Property, Plant and Equipment	(168 395 024)	(111 709 000)	(89 309 000)	-201018000	44%	Projects not completed before year end and new projects added.	32 622 976	-16%	Projects not completed before year end.
Purchase of Intangible Assets	(3 766 933)			-			(3 766 933)		Project re-categorised.
Purchase of Investment Property	(2 380 376)			-					
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(174 542 332)</b>	<b>(111 709 000)</b>	<b>(89 309 000)</b>	<b>(201 018 000)</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Loans repaid	(10 824 084)	(10 878 000)	-	(10 878 000)	0%		53 916	0%	
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(10 824 084)</b>	<b>(10 878 000)</b>	<b>-</b>	<b>(10 878 000)</b>					
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(16 181 575)</b>	<b>9 892 000</b>	<b>(48 570 000)</b>	<b>(38 678 000)</b>					
Cash and Cash Equivalents at the beginning of the year	275 457 274	214 492 000	60 965 000	275 457 000					
Cash and Cash Equivalents at the end of the year	259 275 698	224 384 000	12 395 000	236 779 000					

**APPENDIX F**  
**SOL PLAATJE LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

**Grants and Subsidies received for the year ended 30 June 2016**

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	6 609 000	6 609 000	-	7 253 000	None	Yes	None
Primary Health	Provincial	-	-	-	-	No payment received. Debtor outstanding is R5 395 666.	Yes	None
EPWP	Provincial	4 984 000	4 984 000	-	4 984 000	None	Yes	None
Miscellaneous	Public	947 178	15 000	-	N/A	None	Yes	None
Equitable Share	National	143 335 000	N/A	-	143 335 000	None	Yes	None
ACIP	National	5 000 000	5 000 000	-	N/A	None	Yes	None
Financial Management Grant	National	1 600 000	1 600 000	-	1 600 000	None	Yes	None
MIG	National	48 329 000	48 329 000	-	48 329 000	None	Yes	None
MSIG	National	930 000	930 000	-	930 000	None	Yes	None
INEP	National	7 000 000	7 000 000	-	7 000 000	None	Yes	None
ISDG (Skills)	National	3 500 000	3 785 903	-	3 500 000	None	Yes	None
Frances Baard Municipality	Municipality	7 317 911	7 317 911	-	N/A	None. Debtor previous year of R6 425 667 paid.	N/A	None
Coghsta	Provincial	3 596 333	3 596 333	-	3 384 834	None. Debtor outstanding is R35 751 335.	Yes	None
Department of Economic Dev	Provincial	236 501	236 501	-	N/A	None	Yes	None
DSAC	Provincial	10 000 000	1 846 350	-	10 000 000	None	Yes	None
GURP	Provincial	4 762 736	6 678 952	1 916 216	6 024 750	Revenue accrued. Debtor increased to R6 276 408.	Yes	None
RBIG	National	3 000 000	33 859 054	-	5 550 000	None	Yes	None
Housing Accreditation	Provincial	800 000	-	-	N/A	None	Yes	None
NDPG	National	820 000	820 000	-	820 000	None	Yes	None
DSAC	Provincial	620 000	-	-	N/A	None	Yes	None
<b>Total</b>		<b>253 387 660</b>	<b>132 608 005</b>	<b>1 916 216</b>	<b>242 710 584</b>			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.  
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.



**APPENDIX G**  
**SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
01/2015/16	Bonisetso Media House	Redesign Customer Services forms to align them with MSCOA Requirements	110 000	ZL Mahloko	Exceptional Case
02/2015/16	Shine the Way 1302cc	Provision of breakfast of the CWP briefing session and Lunch for 1200 participants at the Sol Plaatje CWP Launch, 14 July 2015	192 000	V Kgokong	Exceptional Case
03/2015/16	Lethabile Coaches	Bus services required to transport people for the visit of Deputy Minister of COGHSTA	50 000	V Kgokong	Exceptional Case
04/2015/16	Linri Enterprises cc	To assist with creative work including ensuring factual narratives on the Annual Report 2013/14 financial year	145 124	ZL Mahloko	Exceptional Case
05/2015/16	Linri Enterprises cc	Compilation of Annual Report of the Municipality in the line with MFMA Circular 63	270 266	ZL Mahloko	Exceptional Case
06/2015/16	AMAMP	Refurbishment of filter 13, 14 & 15	135 459	S Coetzee	Exceptional Case
07/2015/16	Wimpy North Cape Mall	Supply of Lunch and Supper to personnel working overtime during the major shutdown on the weekend 10-12 July 2015	58 188	HF Harding	Exceptional Case
08/2015/16	Magnis Trucks Bloemfontein	Emergency Repairs to Vehicle D810	164 109	R Jan van Vuuren	Sole Supplier
09/2015/16	Oranje Toyota Kimberley	Repairs to Transmission (Toyota Hilux – BYR 017 NC)	52 945	A Samson	Sole Supplier
10/2015/16	Sothembela Security Services	Security Services for the SAMSRA Games	240 100	O Mojanaga	Exceptional Case
11/2015/16	ABB South Africa (PTY) Ltd	The Supply, Delivery and Installation of 3 X11kV Single core Voltage Transformers complete with 2A VT Fuses, MV Tails and Explosion Vents	139 355	F Aysen	Sole Supplier
12/2015/16	Macronym 37	Branding material	377 692	N Poolo	Exceptional Case
13/2015/16	ICS (International Convention Solution) MittaH Seperepere Convention Centre	Translation booths & equipment to be utilized during (2015 Friendship week)	55 000	N Poolo	Exceptional Case
14/2015/16	Magnis Trucks	Remove and replace faulty computer on CGM135 NC (D222) Nissan UD80 (2013)	44 385	AC Samson	Sole Supplier
15/2015/16	APE Pumps	Riverton WTP High Lift Pump # 10 & 9 Refurbishment	2 311 280	HF Harding	An Emergency
16/2015/16	Bell Equipment	Replace Cleats (Foot) and cutting edges on Landfill Compactor	498 420	AC Samson	Sole Supplier
17/2015/16	Gariep Motors	Rosenbaur Fire Tender F501 Engine began losing power. The vehicle was sent to the Agents who conducted tests on the machine and notice that the engine's turbo blew. The turbo must be replaced	38 073	MW Pretorius	Sole Supplier
18/2015/16	Franti General Trading	300 wooden Corporate gifts for exchange between the Executive Mayor of Sol Plaatje Municipality and the Mayor of Chenzou Municipality from Hunan Province of China	90 000	N Poolo	Work of Art or Historical object
18/2014/15	MRB Property Valuation	Objections –General Valuation 2015 Agricultural Property	23 060	Adv A Kloppe	Exceptional Case
19/2015/16	Arpco Kontrackteurs cc	Re-instatement of bulk sewage line, open trench method in Cape Town Road, Beaconsfield	109 228	ME Selesho	An Emergency
20/2015/16	Otis (Propriety) Limited	To maintain lifts in the Sol Plaatje Municipality Buildings	35 084	BM Janse Van Rensburg	Sole Supplier
21/2015/16	Lereko Motors (Imperial Isuzu Trucks)	Remove, Strip and Repair Allison Transmission Gearbox of refuse compactor D811	146 659	P Gray	Sole Supplier
21/2014/15 (A)	Nosa (PTY)Ltd	Implementation and Consultation of SHE Management system to address Operational Risk within Sol Plaatje Municipality to ensure legal compliance	136 800	Executive Management Team	Exceptional Case
21/2014/15 (B)	Nosa (PTY)Ltd	Consulting and implementation October 2015	136 800	Executive Management Team	Exceptional Case
21/2015/16 (C)	Nosa (PTY)Ltd	Consultation & implementation November 2015	136 800	Executive Management Team	Exceptional Case
22/2015/16	C-Pac Pumps and Valves	Pump station emergency repairs at Homevale WWTW as a legislative requirement in response to a prohibition noticed used by the Department of water and Sanitation for non- compliance	654 885	ME Selesho	Exceptional Case
23/2015/16	Lexis Nexis	Road Traffic /transport Act 93/1996 Subscription September 2015	31 347	CFM Langford	Sole Supplier
24/2015/16	Bell Equipment	Remove, Repair and Replace Hydraulic Pumps of the Bomag Thrash Compactor R801at the Landfill Site	103 519	P Gray	Sole Supplier
25/2015/16	Leroko Motors (Imperial Isuzu Trucks)	Remove, Strip and Repair Transmission	87 305	P Gray	Exceptional Case
26/2015/16	Bell Equipment	Additional cost (labour)to remove and replace steel cleats on landfill compactor (landfill site)	96 735	AC Samson	Sole Supplier
27/2015/16	Quartz Security	Security services for various access and services points –Sol Plaatje Municipality	66 120	J Anthony	An Emergency
28/2015/16	PV Engineering SA (PTY)Ltd	Refurbishment of DN 400 PN25WGV. Complete with DN 80 By pass DN 400 PN25 Single door reflux valves	92 753	HF Harding	An Emergency
29/2015/16	Otis (Propriety) Limited	To maintain lifts in the Sol Plaatje Building B07352	35 084	BM Janse Van Rensburg	Sole Supplier
30/2015/16	Arpco Kontrackteurs cc	Install Manhole with Sharp Sinking Method, Install Channel and Benching	71 706	ME Selesho	An Emergency
31/2015/16	Arpco Kontrackteurs cc	Supply and install new sewer line	312 505	H Harding	Exceptional Case
32/2015/16	C-Pac Pumps and Valves	Repairs to Gogga Pump Station due to electrical Failure – Flooding complete station	181 477	C Marsh	Exceptional Case
33/2015/16	Genssoft Technologies (PTY) Ltd	Development and Implementation of Indigent Management System	890 000	Adv A Kloppe	Exceptional Case
34/2015/16	Marcé Projects	Service Pump and repair faults as per quotation 002348	64 117	MW Pretorius	Sole Supplier
35/2015/16	AAD Drivetrain Systems (PTY) Ltd	Repair/ re-assemble and refit Allison transmission of refuse compactor D925 of cleansing section	185 142	P Gray	Sole Supplier
36/2015/16	C- Pumps and Valves	Repair and Replacement of damaged pumping equipment & related electrical cables and control boxes that were vandalized	1 300 043	S Mkhize	Exceptional Case
37/2015/16	Woodrow Engineering Sales	Replacement of flow-meter signal cables	112 960	HF Harding	Exceptional Case
38/2015/16	Medi – Clinic	Payment for injury on duty for Mrs BU Smith	68 429	WL Wiese	Exceptional Case
39/2015/16	Arpco Kontrackteurs cc	Re-instatement of gravity sewer to Gogga Pump station from Malebe Street to effect repairs and installation of new chamber	124 500	HF Harding	Exceptional Case
41/2015/16	Arpco Konstrakteurs cc	Supply and installation of upsized sewer collection new sewer line and new top line Peace Street Galeshewe	1 178 190	HF Harding	Exceptional Case
42/2015/16	Human Communication (PTY) Ltd	Advertising of ED: Infrastructure and Services post in the newspaper under order from Municipal Manager	47 197	E Jacobs	Sole Supplier
43/2015/16	G4S Cash SolutionS SA (PTY) Ltd	Payment for the secured convey of cash for Sol Plaatje Municipality by G4S Cash Solution SA (PTY) Ltd	116 226	B Booth	Exceptional Case
44/2015/16	Super Armature Winding Africa (PTY) Ltd	Repair & refurbish 30KW Grundfos Pump 30kw	64 567	C Marsh	Sole Supplier
45/2015/16	Trek Scale Company (PTY) Ltd	To test and verify 80 Ton Toledo IND560 Road Weighbridge	84 360.00	CFM Langford	Sole Supplier
46/2015/16	Sharlyn General Suppliers cc	Excavation, Supply, Delivery and lay new 110mm Sewer line & House Connection on remainder of ptn 70 Roodepan	66 000	DH Leeuw	Exceptional Case
47/2015/16	Mettler Toledo	Supply and delivery of Mettler Toledo T7 Titration Equipment	351 338	S Mkhize	Sole Supplier
48/2015/16	CTE Water Tech cc	Supply and delivery Spectrophotometer DR 6000	195 434	S Mkhize	Sole Supplier
49/2015/16	AAD Drivetrain Systems (PTY) Ltd	Removed transmission & replace with exchange unit remanufactured unit (Allison factory)	98 633	P Gray	Sole Supplier
50/2015/16	C-Pac Pumps and Valves	Supply of one 400mm Butterfly Valve PN 25	65 755	CB Marsh, M Selesho	Exceptional Case
51/2015/16	Sharlyn General Suppliers cc	Bulletproof Vests for Security Officers	82 800	J Anthony	An Emergency
52/2015/16	AAD Drivetrain Systems (PTY) Ltd	Supply New Prop shaft (APQ)	43 890	P Gray	Sole Supplier
53/2015/16	Aqanang Consulting Engineers	Professional Services (Concept, detail designs and costing, tender document drafting) and Project Management	796 079	Z Mguza	Exceptional Case
54/2015/16	Metsi Chem International (PTY) Ltd	Repairs and Upgrading of Chlorination System in Riverton WTW and Homevale WWTW and Ritchie	427 985	S Mkhize	Exceptional Case

**APPENDIX H**  
**SOL PLAATJE LOCAL MUNICIPALITY**  
**APPROPRIATION STATEMENT (A1 - A7) AS AT 30 JUNE 2016**

**NC091 Sol Plaatje - Reconciliation of Table A1 Budget Summary**

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28 )	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	423 808	20 000	443 808	484 397		40 589	109.1%	114.3%				398 921
Service charges	1 019 893	(7 227)	1 012 666	1 004 895		(7 771)	99.2%	98.5%				888 148
Investment revenue	16 000	3 000	19 000	20 996		1 996	110.5%	131.2%				21 165
Transfers recognised - operational	166 787	3 850	170 638	164 215		(6 423)	96.2%	98.5%				168 281
Other own revenue	122 733	25 776	148 509	158 980		10 471	107.1%	129.5%				144 451
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 749 221</b>	<b>45 399</b>	<b>1 794 620</b>	<b>1 833 483</b>		<b>38 862</b>	<b>102.2%</b>	<b>104.8%</b>				<b>1 620 965</b>
Employee costs	597 254	4 326	601 580	600 874	-	(707)	99.9%	100.6%	-	-	-	463 015
Remuneration of councillors	21 365	0	21 365	20 948	-	(417)	98.0%	98.0%	-	-	-	19 841
Debt impairment	161 000	-	161 000	159 613	-	(1 387)	99.1%	99.1%	-	-	-	143 165
Depreciation & asset impairment	53 600	-	53 600	57 792	-	4 192	107.8%	107.8%	-	-	-	48 657
Finance charges	29 790	(100)	29 690	29 018	-	(671)	97.7%	97.4%	-	-	-	30 458
Materials and bulk purchases	542 503	56 460	598 963	574 284	-	(24 679)	95.9%	105.9%	-	-	-	551 946
Transfers and grants	55 050	1 980	57 030	39 321	-	(17 709)	68.9%	71.4%	-	-	-	58 194
Other expenditure	277 780	(47 193)	230 587	207 526	-	(23 062)	90.0%	74.7%	-	-	-	195 374
<b>Total Expenditure</b>	<b>1 738 343</b>	<b>15 473</b>	<b>1 753 816</b>	<b>1 689 376</b>	<b>-</b>	<b>(64 440)</b>	<b>96.3%</b>	<b>97.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 510 651</b>
<b>Surplus/(Deficit)</b>	<b>10 878</b>	<b>29 927</b>	<b>40 805</b>	<b>144 107</b>		<b>103 302</b>	<b>353.2%</b>	<b>1324.8%</b>				<b>110 315</b>
Transfers recognised - capital	64 276	55 937	120 213	111 728		(8 485)	92.9%	173.8%				113 756
Contributions recognised - capital & contributed assets	-	-	-	261		261						3 813
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) for the year</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>	<b>111 709</b>	<b>90 323</b>	<b>202 031</b>	<b>174 542</b>		<b>(27 489)</b>	<b>86.4%</b>	<b>156.2%</b>				<b>197 907</b>
Transfers recognised - capital	64 276	55 938	120 213	111 728		(8 485)	92.9%	173.8%				113 756
Public contributions & donations	-	-	-	-		-	-	-				-
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	47 433	33 371	80 805	62 814		(17 990)	77.7%	132.4%				84 151
<b>Total sources of capital funds</b>	<b>111 709</b>	<b>89 309</b>	<b>201 018</b>	<b>174 542</b>		<b>(26 476)</b>	<b>86.8%</b>	<b>156.2%</b>				<b>197 907</b>
<b>Cash flows</b>												
Net cash from (used) operating	132 479	40 738	173 217	169 185		(4 033)	97.7%	127.7%				181 911
Net cash from (used) investing	(111 709)	(89 309)	(201 018)	(174 542)		26 475	86.8%	156.2%				(197 907)
Net cash from (used) financing	(10 878)	-	(10 878)	(10 824)		54	99.5%	99.5%				(13 747)
<b>Cash/cash equivalents at the year end</b>	<b>224 384</b>	<b>-</b>	<b>236 779</b>	<b>259 275</b>		<b>22 497</b>	<b>109.5%</b>	<b>115.5%</b>				<b>275 457</b>

## NC091 Sol Plaatje - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	730 625	112 742	843 368	890 551		47 184	105.6%	121.9%				791 465
Executive and council	283 997	93 292	377 289	390 801		13 511	103.6%	137.6%				372 464
Budget and treasury office	430 284	19 450	449 734	496 684		46 951	110.4%	115.4%				411 060
Corporate services	16 344	–	16 344	3 067		(13 278)	18.8%	18.8%				7 941
<b>Community and public safety</b>	41 042	(504)	40 538	32 932		(7 606)	81.2%	80.2%				36 859
Community and social services	21 665	(234)	21 431	19 734		(1 696)	92.1%	91.1%				19 304
Sport and recreation	6 553	(300)	6 253	3 565		(2 688)	57.0%	54.4%				3 410
Public safety	451	–	451	74		(377)	16.4%	16.4%				246
Housing	9 396	–	9 396	9 529		133	101.4%	101.4%				11 062
Health	2 978	30	3 008	30		(2 978)	1.0%	1.0%				2 837
<b>Economic and environmental services</b>	11 986	(310)	11 676	11 754		78	100.7%	98.1%				11 591
Planning and development	2 990	(50)	2 940	2 722		(218)	92.6%	91.1%				3 163
Road transport	8 996	(260)	8 736	9 032		296	103.4%	100.4%				8 428
Environmental protection	–	–	–	–		–	–	–				–
<b>Trading services</b>	1 024 748	(10 641)	1 014 107	1 006 131		(7 976)	99.2%	98.2%				893 775
Electricity	651 594	–	651 594	645 804		(5 790)	99.1%	99.1%				561 819
Water	245 334	(9 741)	235 593	233 489		(2 104)	99.1%	95.2%				212 281
Waste water management	73 691	(700)	72 991	72 841		(150)	99.8%	98.8%				68 879
Waste management	54 128	(200)	53 928	53 997		69	100.1%	99.8%				50 796
<b>Other</b>	5 096	49	5 145	4 103		(1 043)	79.7%	80.5%				4 845
<b>Total Revenue - Standard</b>	<b>1 813 497</b>	<b>101 337</b>	<b>1 914 834</b>	<b>1 945 471</b>		<b>30 638</b>	<b>101.6%</b>	<b>107.3%</b>				<b>1 738 534</b>
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	549 075	3 470	552 545	518 248	–	(34 297)	93.8%	94.4%	–	–	–	441 080
Executive and council	373 797	4 830	378 627	356 837	–	(21 790)	94.2%	95.5%	–	–	–	288 197
Budget and treasury office	102 394	1 000	103 394	92 886	–	(10 507)	89.8%	90.7%	–	–	–	87 384
Corporate services	72 884	(2 360)	70 524	68 524	–	(2 000)	97.2%	94.0%	–	–	–	65 499
<b>Community and public safety</b>	213 033	704	213 737	207 941	–	(5 796)	97.3%	97.6%	–	–	–	187 908
Community and social services	75 318	(899)	74 419	70 201	–	(4 218)	94.3%	93.2%	–	–	–	65 714
Sport and recreation	44 245	1 603	45 848	47 017	–	1 169	102.5%	106.3%	–	–	–	41 741
Public safety	51 465	–	51 465	45 279	–	(6 186)	88.0%	88.0%	–	–	–	41 396
Housing	21 797	–	21 797	24 394	–	2 597	111.9%	111.9%	–	–	–	22 332
Health	20 208	–	20 208	21 050	–	842	104.2%	104.2%	–	–	–	16 725
<b>Economic and environmental services</b>	98 400	2 000	100 400	96 638	–	(3 762)	96.3%	98.2%	–	–	–	86 756
Planning and development	30 313	7 123	37 437	37 852	–	416	101.1%	124.9%	–	–	–	25 051
Road transport	68 087	(5 123)	62 964	58 786	–	(4 178)	93.4%	86.3%	–	–	–	61 705
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–
<b>Trading services</b>	867 954	8 334	876 289	857 762	–	(18 526)	97.9%	98.8%	–	–	–	785 463
Electricity	568 128	–	568 128	558 289	–	(9 839)	98.3%	98.3%	–	–	–	499 206
Water	192 848	3 834	196 682	189 422	–	(7 261)	96.3%	98.2%	–	–	–	183 528
Waste water management	57 250	4 500	61 750	62 977	–	1 227	102.0%	110.0%	–	–	–	54 075
Waste management	49 728	–	49 728	47 075	–	(2 653)	94.7%	94.7%	–	–	–	48 654
<b>Other</b>	9 881	964	10 845	8 787	–	(2 058)	81.0%	88.9%	–	–	–	9 444
<b>Total Expenditure - Standard</b>	<b>1 738 343</b>	<b>15 473</b>	<b>1 753 816</b>	<b>1 689 376</b>	<b>–</b>	<b>(64 440)</b>	<b>96.3%</b>	<b>97.2%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 510 651</b>
<b>Surplus/(Deficit) for the year</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>	<b>–</b>	<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>227 883</b>

## NC091 Sol Plaatje - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description  R thousand	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - EXECUTIVE AND COUNCIL	–	–	–	–		–						72
Vote 2 - MUNICIPAL AND GENERAL	282 294	93 292	375 586	390 801		15 215	104.1%	138.4%				370 848
Vote 3 - MUNICIPAL MANAGER	1 703	–	1 703	–		(1 703)	-	-				1 544
Vote 4 - CORPORATE SERVICES	7 382	–	7 382	2 706		(4 675)	36.7%	36.7%				7 691
Vote 5 - COMMUNITY SERVICES	40 381	53 424	93 805	86 400		(7 405)	92.1%	214.0%				33 951
Vote 6 - FINANCIAL SERVICES	439 006	19 450	458 456	496 684		38 228	108.3%	113.1%				411 060
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	8 325	–	8 325	7 185		(1 140)	86.3%	86.3%				8 258
Vote 8 - INFRASTRUCTURE AND SERVICES	1 034 406	(64 830)	969 576	961 695		(7 881)	99.2%	93.0%				905 109
<b>Total Revenue by Vote</b>	<b>1 813 497</b>	<b>101 337</b>	<b>1 914 834</b>	<b>1 945 471</b>		<b>30 638</b>	<b>101.6%</b>	<b>107.3%</b>				<b>1 738 534</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - EXECUTIVE AND COUNCIL	39 893	190	40 083	40 167		84	100.2%	100.7%			–	37 615
Vote 2 - MUNICIPAL AND GENERAL	317 131	780	317 911	299 386		(18 525)	94.2%	94.4%			–	238 777
Vote 3 - MUNICIPAL MANAGER	16 774	3 840	20 614	17 284		(3 330)	83.8%	103.0%			–	11 806
Vote 4 - CORPORATE SERVICES	60 717	(2 360)	58 357	56 226		(2 131)	96.3%	92.6%			–	55 070
Vote 5 - COMMUNITY SERVICES	180 556	50 432	230 988	222 404		(8 584)	96.3%	123.2%			–	156 986
Vote 6 - FINANCIAL SERVICES	112 557	1 000	113 557	103 287		(10 269)	91.0%	91.8%			–	96 001
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	42 198	8 088	50 286	48 537		(1 749)	96.5%	115.0%			–	36 306
Vote 8 - INFRASTRUCTURE AND SERVICES	968 518	(46 497)	922 021	902 085		(19 936)	97.8%	93.1%			–	878 090
<b>Total Expenditure by Vote</b>	<b>1 738 343</b>	<b>15 473</b>	<b>1 753 816</b>	<b>1 689 376</b>	<b>–</b>	<b>(64 440)</b>	<b>96.3%</b>	<b>97.2%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 510 651</b>
<b>Surplus/(Deficit) for the year</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>

## NC091 Sol Plaatje - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	423 808	20 000	443 808	484 397		40 589	109.1%	114.3%				398 921
Property rates - penalties & collection charges		–				–	–	–				
Service charges - electricity revenue	651 586	8	651 594	645 804		(5 790)	99.1%	99.1%				561 178
Service charges - water revenue	245 333	(10 000)	235 333	233 270		(2 063)	99.1%	95.1%				211 650
Service charges - sanitation revenue	72 545	(700)	71 845	71 845		(0)	100.0%	99.0%				67 956
Service charges - refuse revenue	50 428	3 465	53 893	53 975		82	100.2%	107.0%				47 364
Service charges - other		–				–	–	–				
Rental of facilities and equipment	19 182	(8 877)	10 305	9 839		(466)	95.5%	51.3%				16 374
Interest earned - external investments	16 000	3 000	19 000	20 996		1 996	110.5%	131.2%				21 165
Interest earned - outstanding debtors	50 000	30 000	80 000	97 256		17 256	121.6%	194.5%				73 077
Dividends received		–				–	–	–				
Fines	10 419	5 460	15 879	17 407		1 528	109.6%	167.1%				19 352
Licences and permits	2 995	(30)	2 965	2 851		(114)	96.1%	95.2%				2 955
Agency services	5 800	–	5 800	6 182		382	106.6%	106.6%				5 038
Transfers recognised - operational	166 787	3 850	170 638	164 215		(6 423)	96.2%	98.5%				168 281
Other revenue	34 336	(777)	33 559	23 660		(9 899)	70.5%	68.9%				26 998
Gains on disposal of PPE		–		1 786		1 786						658
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 749 221</b>	<b>45 399</b>	<b>1 794 620</b>	<b>1 833 483</b>		<b>38 862</b>	<b>102.2%</b>	<b>104.8%</b>				<b>1 620 965</b>
<b>Expenditure By Type</b>												
Employee related costs	597 254	4 326	601 580	600 874		(707)	99.9%	100.6%			–	463 015
Remuneration of councillors	21 365	0	21 365	20 948		(417)	98.0%	98.0%			–	19 841
Debt impairment	161 000	–	161 000	159 613		(1 387)	99.1%	99.1%			–	143 165
Depreciation & asset impairment	53 600	–	53 600	57 792		4 192	107.8%	107.8%			–	48 657
Finance charges	29 790	(100)	29 690	29 018		(671)	97.7%	97.4%			–	30 458
Bulk purchases	461 000	1 400	462 400	454 010		(8 390)	98.2%	98.5%			–	404 461
Other materials	81 503	55 060	136 563	120 274		(16 289)	88.1%	147.6%			–	147 486
Contracted services	–	32 395	32 395	30 877		(1 518)	95.3%	#DIV/0!			–	24 183
Transfers and grants	55 050	1 980	57 030	39 321		(17 709)	68.9%	71.4%			–	58 194
Other expenditure	277 780	(79 588)	198 193	176 239		(21 953)	88.9%	63.4%			–	163 538
Loss on disposal of PPE	–	–	–	409		409	#DIV/0!	#DIV/0!			–	7 653
<b>Total Expenditure</b>	<b>1 738 343</b>	<b>15 473</b>	<b>1 753 816</b>	<b>1 689 376</b>	<b>–</b>	<b>(64 440)</b>	<b>96.3%</b>	<b>97.2%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 510 651</b>
<b>Surplus/(Deficit)</b>	<b>10 878</b>	<b>29 927</b>	<b>40 805</b>	<b>144 107</b>		<b>103 302</b>	<b>353.2%</b>	<b>1324.8%</b>				<b>110 315</b>
Transfers recognised - capital	64 276	55 937	120 213	111 728		(8 485)	92.9%	173.8%				113 756
Contributions recognised - capital	–	–	–			–	–	–				
Contributed assets		–		261		261	#DIV/0!	#DIV/0!				3 813
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>
Taxation			–			–	–	–				
<b>Surplus/(Deficit) after taxation</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>
Attributable to minorities			–			–	–	–				
<b>Surplus/(Deficit) attributable to municipality</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>
Share of surplus/ (deficit) of associate			–			–	–	–				
<b>Surplus/(Deficit) for the year</b>	<b>75 154</b>	<b>85 864</b>	<b>161 018</b>	<b>256 096</b>		<b>95 077</b>	<b>159.0%</b>	<b>340.8%</b>				<b>227 883</b>

NC091 Sol Plaatje - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2015/16								2014/15			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-			-	-	-			-	-
Vote 2 - MUNICIPAL AND GENERAL	-	-	-			-	-	-			-	-
Vote 3 - MUNICIPAL MANAGER	-	-	-			-	-	-			-	-
Vote 4 - CORPORATE SERVICES	-	-	-			-	-	-			-	-
Vote 5 - COMMUNITY SERVICES	-	-	-			-	-	-			-	18 770
Vote 6 - FINANCIAL SERVICES	-	-	-			-	-	-			-	-
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	-	-	-			-	-	-			-	-
Vote 8 - INFRASTRUCTURE AND SERVICES	45 053	33 470	78 523	67 571		(10 952)	86%	150%			-	9 409
<b>Capital multi-year expenditure</b>	<b>45 053</b>	<b>33 470</b>	<b>78 523</b>	<b>67 571</b>	<b>-</b>	<b>(10 952)</b>	<b>86%</b>	<b>150%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 179</b>
<b>Single-year expenditure</b>												
Vote 1 - EXECUTIVE AND COUNCIL	3 000	-	3 000			(3 000)					-	3 575
Vote 2 - MUNICIPAL AND GENERAL	-	-	-			-					-	127
Vote 3 - MUNICIPAL MANAGER	-	-	-			-					-	44
Vote 4 - CORPORATE SERVICES	-	-	-			-					-	284
Vote 5 - COMMUNITY SERVICES	15 096	-	14 082	6 958		(7 124)	49%	46%			-	-
Vote 6 - FINANCIAL SERVICES	4 500	-	4 500	3 767		(733)	84%	84%			-	3 242
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	9 100	11 844	20 944	21 307		363	102%	234%			-	113
Vote 8 - INFRASTRUCTURE AND SERVICES	34 960	45 008	79 968	74 940		(5 028)	94%	214%			-	162 343
<b>Capital single-year expenditure</b>	<b>66 656</b>	<b>56 852</b>	<b>123 508</b>	<b>106 972</b>	<b>-</b>	<b>(16 536)</b>	<b>87%</b>	<b>160%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169 728</b>
<b>Total Capital Expenditure - Vote</b>	<b>111 709</b>	<b>90 323</b>	<b>202 031</b>	<b>174 542</b>	<b>-</b>	<b>(27 489)</b>	<b>86%</b>	<b>156%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197 907</b>
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>	<b>7 500</b>	<b>-</b>	<b>7 500</b>	<b>3 767</b>	<b>-</b>	<b>(3 733)</b>	<b>50%</b>	<b>50%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 272</b>
Executive and council	3 000	-	3 000			(3 000)					-	3 745
Budget and treasury office	4 500	-	4 500	3 767		(733)	84%	84%			-	3 242
Corporate services	-	-	-			-					-	284
<b>Community and public safety</b>	<b>15 096</b>	<b>(2 278)</b>	<b>14 082</b>	<b>6 958</b>	<b>-</b>	<b>(7 124)</b>	<b>49%</b>	<b>46%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 770</b>
Community and social services	14 096	(2 278)	11 818	6 951		(4 867)	59%	49%			-	18 770
Sport and recreation	-	-	1 264	-		(1 264)	-	-			-	-
Public safety	1 000	-	1 000	7		(993)	1%	1%			-	-
Housing	-	-	-			-	-	-			-	-
Health	-	-	-			-	-	-			-	-
<b>Economic and environmental services</b>	<b>9 100</b>	<b>11 844</b>	<b>20 944</b>	<b>21 307</b>	<b>-</b>	<b>363</b>	<b>102%</b>	<b>234%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86 382</b>
Planning and development	9 100	1 844	10 944	4 691		(6 253)	43%	52%			-	113
Road transport	-	10 000	10 000	16 616		6 616	166%	-			-	86 269
Environmental protection	-	-	-			-	-	-			-	-
<b>Trading services</b>	<b>76 013</b>	<b>62 923</b>	<b>138 935</b>	<b>122 686</b>	<b>-</b>	<b>(16 249)</b>	<b>88%</b>	<b>161%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75 869</b>
Electricity	11 500	12 500	24 000	26 732		2 731	111%	232%			-	16 113
Water	15 460	34 115	49 575	42 909		(6 666)	87%	278%			-	13 939
Waste water management	49 053	16 307	65 360	53 046		(12 314)	81%	108%			-	43 873
Waste management	-	-	-			-	-	-			-	1 943
Other	4 000	15 556	19 556	19 824		268	101%	496%			-	9 614
<b>Total Capital Expenditure - Standard</b>	<b>111 709</b>	<b>88 045</b>	<b>201 018</b>	<b>174 542</b>	<b>-</b>	<b>(26 476)</b>	<b>87%</b>	<b>156%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197 907</b>
<b>Funded by:</b>												
National Government	64 276	30 264	94 540	94 188		(352)	100%	147%				60 497
Provincial Government	-	20 674	20 674	12 122		(8 552)	59%	#DIV/0!				47 263
District Municipality	-	5 000	5 000	5 419		419	108%	-				5 996
Other transfers and grants	-	-	-			-	-	-				-
<b>Transfers recognised - capital</b>	<b>64 276</b>	<b>55 938</b>	<b>120 213</b>	<b>111 728</b>	<b>-</b>	<b>(8 485)</b>	<b>93%</b>	<b>174%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113 756</b>
Public contributions & donations	-	-	-			-	-	-				-
Borrowing	-	-	-			-	-	-				-
Internally generated funds	47 433	33 371	80 805	62 814		(17 990)	78%	132%				84 151
<b>Total Capital Funding</b>	<b>111 709</b>	<b>89 309</b>	<b>201 018</b>	<b>174 542</b>	<b>-</b>	<b>(26 476)</b>	<b>87%</b>	<b>156%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197 907</b>

## NC091 Sol Plaatje - Reconciliation of Table A6 Budgeted Financial Position

Description  R thousand	2015/16							2014/15
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
<b>ASSETS</b>								
<b>Current assets</b>								
Cash					-	-	-	
Call investment deposits	240 000	-	240 000	259 276	19 276	108.0%	108.0%	275 457
Consumer debtors	287 621	-	287 621	328 326	40 705	114.2%	114.2%	262 184
Other debtors	317 716	-	317 716	537 973	220 256	169.3%	169.3%	418 825
Current portion of long-term receivables		-			-	-	-	-
Inventory	25 280	-	25 280	32 656	7 376	129.2%	129.2%	32 887
<b>Total current assets</b>	<b>870 617</b>	<b>-</b>	<b>870 617</b>	<b>1 158 230</b>	<b>287 613</b>	<b>133.0%</b>	<b>133.0%</b>	<b>989 354</b>
<b>Non current assets</b>								
Long-term receivables		-		1 649	1 649	#DIV/0!	#DIV/0!	2 116
Investments		-			-	-	-	
Investment property	200 747	-	200 747	196 372	(4 375)	97.8%	97.8%	194 624
Investment in Associate		-			-	-	-	
Property, plant and equipment	1 477 512	-	1 477 512	1 491 144	13 632	100.9%	100.9%	1 380 003
Agricultural		-			-	-	-	
Biological		-			-	-	-	
Intangible	1 153	-	1 153	6 299	5 146	546.2%	546.2%	4 699
Other non-current assets	7 630	-	7 630	8 648	1 018	113.3%	113.3%	6 802
<b>Total non current assets</b>	<b>1 687 042</b>	<b>-</b>	<b>1 687 042</b>	<b>1 704 112</b>	<b>17 070</b>	<b>101.0%</b>	<b>101.0%</b>	<b>1 588 244</b>
<b>TOTAL ASSETS</b>	<b>2 557 659</b>	<b>-</b>	<b>2 557 659</b>	<b>2 862 343</b>	<b>304 684</b>	<b>111.9%</b>	<b>111.9%</b>	<b>2 577 598</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Bank overdraft	16 640	-	16 640		(16 640)	-	-	-
Borrowing	10 878	-	10 878	8 201	(2 677)	75.4%	75.4%	10 882
Consumer deposits	18 353	-	18 353	28 820	10 468	157.0%	157.0%	21 848
Trade and other payables	217 493	-	217 493	191 048	(26 445)	87.8%	87.8%	208 211
Provisions	8 398	-	8 398	8 696	297	103.5%	103.5%	7 448
<b>Total current liabilities</b>	<b>271 762</b>	<b>-</b>	<b>271 762</b>	<b>236 764</b>	<b>(34 998)</b>	<b>87.1%</b>	<b>87.1%</b>	<b>248 389</b>
<b>Non current liabilities</b>								
Borrowing	226 841	-	226 841	218 675	(8 166)	96.4%	96.4%	226 818
Provisions	274 856	-	274 856	261 856	(13 000)	95.3%	95.3%	213 438
<b>Total non current liabilities</b>	<b>501 697</b>	<b>-</b>	<b>501 697</b>	<b>480 531</b>	<b>(21 166)</b>	<b>95.8%</b>	<b>95.8%</b>	<b>440 256</b>
<b>TOTAL LIABILITIES</b>	<b>773 459</b>	<b>-</b>	<b>773 459</b>	<b>717 295</b>	<b>(56 164)</b>	<b>92.7%</b>	<b>92.7%</b>	<b>688 646</b>
<b>NET ASSETS</b>	<b>1 784 200</b>	<b>-</b>	<b>1 784 200</b>	<b>2 145 048</b>	<b>360 848</b>	<b>120.2%</b>	<b>120.2%</b>	<b>1 888 952</b>
<b>COMMUNITY WEALTH/EQUITY</b>								
Accumulated Surplus/(Deficit)	1 698 400	-	1 698 400	2 040 830	342 430	120.2%	120.2%	1 782 240
Reserves	85 800	-	85 800	104 217	18 417	121.5%	121.5%	106 712
Minorities' interests		-			-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 784 200</b>	<b>-</b>	<b>1 784 200</b>	<b>2 145 048</b>	<b>360 848</b>	<b>120.2%</b>	<b>120.2%</b>	<b>1 888 952</b>

## Please select from list - Reconciliation of Table A7 Budgeted Cash Flows

Description	2015/16							2014/15
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties and collection charges	377 189	(21 719)	355 470	314 616	(40 855)	88.5%	83.4%	299 190
Service charges	904 447	(50 633)	853 813	821 181	(32 632)	96.2%	90.8%	729 327
Other revenue	67 523	(4 224)	63 299	60 199	(3 100)	95.1%	89.2%	137 627
Government - operating	166 787	3 850	170 638	164 215	(6 423)	96.2%	98.5%	168 281
Government - capital	64 276	55 938	120 213	111 728	(8 485)	92.9%	173.8%	113 756
Interest	26 000	73 000	99 000	118 252	19 252	119.4%	454.8%	94 242
Dividends		-			-	-	-	-
<b>Payments</b>								
Suppliers and employees	(1 438 903)	(9 706)	(1 448 609)	(1 385 362)	63 246	95.6%	96.3%	(1 325 143)
Finance charges	(29 790)	100	(29 690)	(29 018)	671	97.7%	97.4%	(30 458)
Transfers and Grants	(5 050)	(5 868)	(10 918)	(6 625)	4 293	60.7%	131.2%	(4 910)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>132 479</b>	<b>40 738</b>	<b>173 217</b>	<b>169 185</b>	<b>(4 033)</b>	<b>97.7%</b>	<b>127.7%</b>	<b>181 911</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE			-		-	-	-	
Decrease (Increase) in non-current debtors			-		-	-	-	
Decrease (increase) other non-current receivables			-		-	-	-	
Decrease (increase) in non-current investments			-		-	-	-	
<b>Payments</b>								
Capital assets	(111 709)	(89 309)	(201 018)	(174 542)	26 475	86.8%	156.2%	(197 907)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(111 709)</b>	<b>(89 309)</b>	<b>(201 018)</b>	<b>(174 542)</b>	<b>26 475</b>	<b>86.8%</b>	<b>156.2%</b>	<b>(197 907)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans			-		-	-	-	
Borrowing long term/refinancing			-		-	-	-	
Increase (decrease) in consumer deposits		-	-		-	-	-	
<b>Payments</b>								
Repayment of borrowing	(10 878)	-	(10 878)	(10 824)	54	99.5%	99.5%	(13 747)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(10 878)</b>	<b>-</b>	<b>(10 878)</b>	<b>(10 824)</b>	<b>54</b>	<b>99.5%</b>	<b>99.5%</b>	<b>(13 747)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>9 892</b>	<b>(48 571)</b>	<b>(38 679)</b>	<b>(16 182)</b>				<b>(29 742)</b>
Cash/cash equivalents at the year begin:	214 492		275 457	275 457				305 199
Cash/cash equivalents at the year end:	224 384		236 779	259 275	22 497	109.5%	115.5%	275 457